



**MINUTES
DEVILS LAKE WATER IMPROVEMENT DISTRICT
BUDGET MEETING 2013-2014**

**COUNCIL CHAMBERS, CITY HALL, 3rd Floor
May 10, 2013
10:00 P.M.**

PRESENT

Board of Directors

David Skirvin
Kip Ward
Randy Weldon
Brian Green

Budget Committee

Jim Park
Doug Pirie
Don Sell
Ed Willette
Alex Ward

ABSENT:

Noel Walker

AUDIENCE:

Don Sell, Mitchell Moore, Miles Schlessinger

STAFF:

Lake Manager Paul Robertson and Seth Lenaerts, Project
Manager

MEDIA:

None

Board of Directors Chair David Skirvin called the meeting to order at 10:05 AM and called for introductions of the board and the budget committee members.

Alex Ward nominated Brian Green to be Budget Committee Chair.

Skirvin seconded the motion. Vote: Unanimous. Green was elected to be committee chair.

Skirvin nominated Alex Ward to be Vice Chair of the Budget Committee.

Green seconded the motion.

Vote: Unanimous. Alex Ward was elected to be committee vice chair.

Budget Officer Paul Robertson presented a PowerPoint slide show to bring everyone up to speed on the history of the District's current budget and the 2013-2014 proposed budget.

Robertson noted that all the information in his presentation can be accessed at www.dlwid.org under Meetings/Budget. Current Budget and the budget committee recommendations and the final budget will be placed there, along with historic budgets and reviews. Today's presentation will also be included on this page.

March through May is spent preparing the budget. Today, the committee will review the prepared budget and make recommendations, and the Board will meet on June 13 to accept recommendations. Public comments will be accepted at that time as well.

The District was created in 1984's Mission to represent 8,000 properties and 12,000 citizens for the following goals:

- Improve and maintain water quality of Devils Lake;
- Improve the environment for fish, wildlife, and humans in Devils Lake and its watershed;
- Improve recreational opportunities in and on Devils Lake;
- Improve and maintain safe and efficient navigation through Devils Lake;
- Increase public access to Devils Lake;
- Improve the economy of north Lincoln County through the restoration and maintenance of Devils Lake; and
- Increase public awareness and public education of Devils Lake.

General Fund.

Tax collection is increasing 4 1/2% per year. A graph shows spending of District funds on the dash line and District income on a solid line on the graph.

Net assets are approximately \$500,000.

Long range forecast appears to be solid with at least 3% annual growth from property taxes. Urban Renewal projects will sunset in 2014-2015, bringing an influx of an additional \$26,000 annually.

Grants being sought for the General Fund are the Devils Lake Community Grant and one for the Devils Lake Revival.

Improvement Fund projects include Vegetation Management, East Devils Lake Road, sewer, Save our Shoreline, Education and Communication, the RARE program (that was not approved by the board for the 2013-2014 budget year), Salmon Rescue, and the Center for Applied Freshwater Ecology (the CAFÉ).

Robertson listed one new project under the Improvement Fund—a Water Trail. This would be patterned after the Tillamook Bay Estuary Partnership and is proposed for water resources located between Salmon River and Siletz Bay. It would comprise a publication to be funded by the District, the Lincoln City VCB, Lincoln City chamber of Commerce and possibly the Siletz Tribal Charitable Foundation.

Summary LB-1 provides a snapshot of the budget for the District. Forms LB-2 and LB-3 have been eliminated. Summary LB-1 shows beginning fund balances and looks at the anticipated fund, grants and approved budget and where the funds are coming from.

General Fund Resources show \$367,978. There are approximately \$200,000 from current taxes. The Unappropriated ending balance is \$100,000, and some delinquent taxes will be coming in, along with some grant funds.

Resources must match the Requirements.

General Fund Materials and Services Expenditures is: \$98,743 (The narrative, Page 18 is where these items are listed in detail.)

There was some discussion about where funds would come from for the summer intern. Robertson said that funds could be moved by a Resolution when the funds are required.

Vegetation Management: The second year of mapping will be \$5,000, with \$20,000 for the contract with Max Depth Aquatics for the grass carp study and \$100,000 for the grass carp for a total of \$124,931.

Sewer: The District is working on this for its goals; a grant of \$150,000 will be sought so that it will be added to the 50,000 for \$200,000 total for an engineering study--\$50,000 for specific LID's that are the most crucial.

Alex Ward asked if it would be prudent to include in the budget some funds to help people hook up to LID's. There was some discussion about this issue and what amount to consider for assisting property owners.

Skirvin: We don't have to specify a dollar amount at this time, just include a placeholder.

Pirie agreed that some funds should be included for the future.

East Devils Lake Road: \$4,088 remains out of the amount allocated to assist SDCWC for obtaining grants. An expenditure of about \$900 has helped them to write two grants.

Save our Shorelines: Lists \$3,000

Educational DVD or video: Budgeted \$3,000

RARE Program: \$20,000 was budgeted; however, the project was scrapped for the current year. Skirvin suggested it could possibly remain in the budget as a placeholder for a future year and the narrative changed to reflect this.

Salmon Rescue: \$10,000 was included for contracted fish rescue workers. Robertson said it will probably be three years before the East Devils Lake Road is repaired. SDCWC people have been rescuing the fish as a temporary fix. In the future, the District can provide a short-term relief for this problem of the Coho migration. You wouldn't need someone out there from 9 to 5; however, you would want a team of two people in the morning and in the afternoon when the fish begin migrating.

Water Trail: Would potentially include a \$25,000 VCB grant and \$10,000 from the District. Skirvin said he would like to see this listed as advertising opportunities. The mission of the District is to promote Devils Lake; however, he does not want to see the funds tied up to this particular project.

Robertson said it could be a recreational line item.

Discussion ensued about the concept of a water trail and the value of the collaboration with other water bodies.

Skirvin said promotional opportunities should be the listed line item.

The Café: \$400,000 for exhibits, aquarium and audio/visual. “Hatfield Marine Science Center without the Salt!”

Robertson noted that the asking price for the Union 50 station had been reduced to \$650,000. Green said that number would comprise borrowed money, and the monthly payment would be approximately \$2,500 to \$3,000. We pay rent every month and we could sublet some of the space. We are now paying \$1,500 per month rent, so it is not too much of an increase if this were acquired. Our office would be on the lake rather than off the lake, making it more efficient. The odds of this project coming to fruition are relatively slim and we would have to acquire the place for around \$400,000.

Discussion continued about the rented space rented at the office and whether or not the size was justified.

Robertson replied that once or twice a year, events are held in the office and the space is needed; otherwise, it is a walk-through space. Rent has been decreased with the tax liability issue.

Other Non-Project Items in the Improvement Fund

Personnel Services (Project Manager)

Material and Services (N/A)

Capital Outlay (Truck and boat, spectrophotometer and Incubator, computer and software)

Debt Service (N/A)

The Improvement Fund comprises multi-year projects, targeted, one-off expenditures—something that is not a fixed expense.

General Discussion

Jim Park complimented Paul Robertson, Lake Manager and Budget Officer, for the excellent budget proposal and the great new format that is easier to read.

He said he wanted to talk about the mouth of the D River seriously for next year and how it can be improved to maintain the water quality of the lake. Much of the contamination there is due to the birds. It would be great to improve the recreational opportunities of Devils Lake at the mouth of the lake. That is the portion that is most viewed by tourists and visitors as they drive down Highway 101. That is all the area of the lake that they see. The only method of improving it would be to dredge it and remove some of the logs that are the resting places of the birds. It would solve much of the problem. Perhaps the City would improve the park there.

Robertson said that last year dredging issue was brought up and the committee noted that funds could be used for engineering studies for sewer, for dredging or used for the CAFÉ. The reason he did not propose this is because it would require \$60,000 to be borrowed annually. Moving the logs last year was \$1,800. While the idea of dredging it might have value, it was determined that using resources in the budget for this wasn't the right decision.

Park said perhaps some of the questionable project money could be used. Last time the logs were moved, the birds just stayed there. That area of the park is not usable, although you can kayak and canoe around the lake.

Robertson said that it was a compromise. Originally the logs were going to be removed; ODFW said the logs could be moved, but not removed. A variance was required to remove the logs. The cost of a permit to apply for removal is \$750; the logs are considered to be fish and wildlife habitat.

Park said he would suggest placing the issue in a future budget.

Skirvin asked for staff to place this issue on the agenda for the July meeting for discussion.

The District is accepting applications in August for the departing budget committee members.

Public Comment

Mitchell Moore: Presented four pages of written comments that are attached herewith. He said he believes items should be discussed prior to appearing on an upcoming budget. He suggested that some time during the upcoming year, the Board hold a work session on the budget process to tighten it up a bit and establish better criteria.

Miles Schlessinger: He said he remembers Hostetter Park. He has enjoyed the lake for 58 years; he was on the lake as a 10-year-old camper. In 2009, he retired. He said Lincoln City has three good weekends—Memorial, July 4 and Labor Day. He and a friend came up with the jet skiing races that will be held next weekend. He is considering other events that can be proposed, one of which could be a fishing derby—maybe a couple of times a year. We could have fishing from the dock with a contest that includes rainbow trout that doesn't compete with the Coho run. We could tag them and there would be an insurance policy where one could receive a large money prize. Noel Walker tried to get this established and couldn't get any help for it. He would like to see the District have a line item for developing that kind of activity in a partnership with the VCB. He would like to see the city involved in promoting "Devils Lake is Half the Fun." He said he is pleased to learn that the RARE program was not funded; he believes that there should be some type of line item entitled "recreational" rather than the Water Trail. He thinks it should be increased to \$50,000.

Committee Discussion

Green said the entire recreation budget is the amount Robertson is proposing for a water trail, but money can easily be moved into that line item by a Resolution.

Robertson said the narrative can be changed to add that the Budget Committee requests that the Water Trail be designated as a recreational line item.

Pirie asked about the Survey noted on Page 5. Some discussion ensued regarding the hydrographic survey and where to place a fence for the grass carp.

Green suggested they consider a line item for incentives for LID's.

Robertson reminded the board that up to 15% of the Improvement Fund can be moved by Resolution.

Green moved to add a placeholder for \$1 for an LID sewer hookup incentive program from the Improvement Fund. Pirie seconded the motion. Vote: Unanimous. Motion carried.

Pirie moved to delete all aspects of the salmon rescue project from the budget.

[He said he does not believe that the East Devils Lake Road project is within the mission of the District; the County should assume control of their own sediment-control problems on their roads.]

Parks seconded the motion.

Ward said that he believes that salmon rescue is exactly what the District's mission entails. It provides immediate relief to a solution that is millions of dollars away.

Park said it appears that the District is stuck with the wet road problem; it is a concern that the County should take care of. We need to try to expedite the process.

Green said he understands the idea that it is the County's problem; however, they are not taking care of the situation. Coho is a threatened species and he just cannot bring himself not to help them.

Pirie said the taxpayers in the District are paying for the County's responsibility. 8,000 people are expected to perform the County's work for them. They could get some equipment and maintain the road better than they area.

Green said this should be discussed at a regular meeting and try to put some pressure on the County to do something.

Pirie stated that the road would be a death trap in about three minutes in the event of a tsunami. It should not be considered an evacuation route.

Vote: Skirvin abstained; Pirie voted, "Yes;" all others voted, "No."

Motion died.

Pirie moved to remove the CAFÉ from the budget line item. [He feels it is not feasible and would like to see it dropped from the proposed budget.]

Skirvin seconded the motion.

Skirvin said that is not the only facility that can be considered, nor is it the highest priority. There are many other items to be considered at this time. Perhaps, it can be considered in the future.

Ward said it is included in the Devils Lake Plan; he feels it should remain.

Green said he does not see the line item as a distraction; the purchase will not be a serious possibility unless it is cost effective. If the opportunity arises, sometimes you have to act quickly and you don't want to have to go through the supplemental budget process. He does not see a downside to a placeholder process.

Weldon said the odds of it happening are becoming slimmer. He said we are placing the cart before the horse if the grass carp is not allowed. He said the lake has been extremely clear and by 60 degrees, grass carp are usually visible. He said he has seen very few of them—one at a time. The faster they disappear, the less likely the CAFÉ project will be.

Green said the asking price for the Union 50 facility has stopped dropping.

Park believes that the line item should remain; he believes the options should be kept open.

Vote: Pirie voted, "Yes." All others voted, "No."

Motion died.

Skirvin moved to change the line item of Water Trail to that of “Activities and Recreational Opportunities.” Willette seconded the motion. Vote: Unanimous. Motion carried.

Green moved that the Budget Committee adopt the proposed budget for 2013-2014 with the incorporation of the committee’s recommended changes. Vote: Unanimous. Motion carried.

Green moved that the budget committee authorize the District to accept the tax levy at a rate of .2499 dollars per \$1,000 assessed valuation for properties within the watershed of Devils Lake, and a levy at the rate of .128 dollars per \$1,000 of assessed value within the District, but outside the watershed. Alex Ward seconded the motion. Vote: Unanimous. Motion carried.

Chair Green adjourned the Budget Committee meeting at 12:28 PM. .

Respectfully submitted,
Linda Burt
Recording Secretary

Budget Meeting Comments

My name is Mitchell Moore and I have a home at 2929 NE Loop Drive.

I have previously been a member of the DLWID Budget committee and have appeared before you at most Budget Committee meetings in the past. I am offering these written comments and ask that they be made part of the record. I will also provide verbal comments at the meeting.

WATER TRAIL

This year staff has really pulled a rabbit out of their hat adding a new line item to the Material and Services budget titled "Recreation". The stated purpose for this line item is for the District to spend \$35,000 in District funds and unsecured grants to manage the creation of a Water Trail in the area between the Salmon River and Siletz Bay. This proposal needs to be removed from the DLWID budget for the following reasons.

Never Previously Before DLWID Board

An extensive search of the DLWID Board minutes and resolutions dating back to 1985 failed to locate a single documented discussion related to a Water Trail, or the management of any similar project. The budget is not the venue to introduce an expenditure that has never been vetted by the board. Often the term "place holder" has been given as a reason to leave such a line item in the budget. Place holder applies to purchasing a new photocopier, not a project such as this which would be very controversial and generate intense and diverse public opinions. I strongly recommend that the District not risk its reputation by leaving a project in the budget without prior reasoned consideration. Please remove it from the budget.

Devastating to Diverse Recreation on Devils Lake

The budget benignly describes the project of creating a Water Trail as serving "growing recreational needs by providing of a well researched map". The Tillamook County Water Trail (TCWT) was given as the project's goal. Page two of the TCWT document provides the definition of a Water Trail as "A water trail is a path on a waterway connected through signs, maps, and access points providing a scenic and educational experience for non-motorized users."

It is worth noting that nowhere in the budget does it state that the result of this project will be the loss of motorized boating on Devils Lake.

This non-motorized status is consistent with the description in Oregon Water Trails Plan and was confirmed in my conversation with Terry Bergerson of the Oregon Parks and Recreation Department (OPRD) who was the primary author of the plan. Water trails in all cases are reserved for non-motorized use, therefore in order for Devils Lake to be part of a Water Trail system its motorized status would need to be challenged by trail proponents or it would have to be excluded from the trail plan. My discussions with Alex Phillips, Director for the Bikeways & Water Trails program in Oregon, reveal that conversion of motorized waterways is not a current priority for the Water Trails program.

According June LeTarte the Rules Coordinator at the Oregon State Marine Board Devils Lake is "navigable for title" which means the ownership of the lake, including its submerged and submersible land, passed from the federal government to Oregon at statehood and is open to motorized navigation unless closed by rulemaking. Any citizen or group of citizens can request that the Marine Board adopt, amend, or repeal a boating regulation for a specific body of water through a petition. The proponents in this case the DLWID would have to petition the OSMB to amend the local rules that govern Devils Lake to remove motorized boat traffic. There are currently 75 lakes in Oregon which do not allow motorized boat traffic. The only recent addition was Waldo Lake which is an undeveloped mountain lake in the crest of the Cascades; the process that took 12 years.

Project Out of District

A review of the Salmon River, Devils Lake, and Drift Creek water basins (see Exhibit "A") eliminates Devils Lake from the Water Trail Plan. The map illustrates that the only navigable body of water in the Devils Lake watershed is the lake proper. Under current rules the lake permits motorize boat traffic and therefore could not be part of the trail system. The board should ask why it is being asked to fund and manage a project outside the District.

Funding Sources?

This project is to be funded from \$10,000 of existing District's Reserve funds and \$25,000 in an

unsecured grant. The grant is proposed to come from an application to the Lincoln City Visitors and Convention Bureau. The City just published its 2013-2014 budget which contains the budget for the VCB on pages 137-159. The VCB budget is quite detailed accounting for every dollar spent. There are no funds designated to fund a Water Trail in their budget. They have two grant programs, one titled the For-Profit Marketing Partnership Fund, and the other titled the Non-Profit Grant Fund. Both funds are generally limited to promoting Lincoln City through special events.

I spoke to Sandy Pfaff the Director of the Visitor & Convention Bureau and she confirmed that the Lake Manager has contacted her about the project. She indicated that there is some flexibility in the kinds of projects which will be considered include but are not limited to special events, facility development or improvement, program development, signage, video production, attraction development, hospitality training, promotional materials, advertising or operations expenses which further tourism to Lincoln City, directly benefiting the economy, culture, and image of the City. The project is not in the City but VCB rules permit funding for "events" within 5 miles of the city limits. Therefore, it is probable that an application would at least be forwarded for consideration by the VCB Board.

She stated that the VCB Board would have to consider some challenging issues related to such a project. Clearly removing motorized traffic on Devils Lake would conflict with the current messaging of the Visitor & Convention Bureau in its attempts to bring visitors to the town. The application would have to address the impacts on some locals businesses cater to motorized boating as well and the lower property values that would result for lake front homes. A request for up to \$25,000 does not require City Council approval but Mr. Hawker can take any proposal to Council he wishes.

The history between the VCB, the City, and members of the community has been tumultuous in the past. This project will be very controversial and it is difficult to say if the Bureau will have the stomach to approve a request such as this.

Water Trails Have Value

There is nothing wrong with Water Trails; they can be wonderful when designated in appropriate areas. The program works in Tillamook County prior to the project they had no existing motorized boating in the converted waterways. It is still an ongoing challenge to manage their trail system as the Tillamook Estuaries Partnership has a staff of eight and nearly a \$2 million annual budget. What they operate is available to all Oregonians including residents of Lincoln City. Access to the system is just 14 miles from town; providing a wilder alternative local kayakers. There is a rich culture of kayaking on Devils Lake today that coexists with all permitted lake activities. Should the District wish to promote paddling on the Devils Lake, I would recommend a \$3,500 expenditure to develop a page on the website and perhaps a brochure to distribute at events.

STAFFING LEVELS

DISTRICT RESERVES

Let me take a moment to update the committee on the issue of the District's Reserve Funds. In April 2007, the District created one new, wholly encompassing "Improvement Fund". The purposes of the fund are for vegetation management, watershed protection, capital improvement, water quality improvements, cyanobacteria control, and other improvements seen necessary by the Devils Lake Water Improvement District Board of Directors. With that list the funds can be used for just about any expenditure.

The improvement fund is also known as LB-11 and appears under a title of Reserve Fund.

The problem is that the District does not treat this much like a reserve fund.

What is the purpose of a Reserve Fund?

A reserve fund is a fund which is established for the purpose of covering expenses which will come up in the future. The goal of a reserve fund is to make sure that monies are set aside to cover expenses so that these expenses do not require spending general funds. Often the uses of these funds are designated for a specific purpose.

What has been the District's Practice?

Each year the District proposes large expenditures to be funded by the reserve fund. The history of the fund includes

Proposed Reserve Expenditures

2008-2009	856,308	856,308	100%
2009-2010	1,487,507	631,199	42%
2010-2011	222,875	(1,264,632)	-567%
2011-2012	663,665	440,790	66%
2012-2013	760,116	537,241	71%
2013-2014	900,048	236,383	26%
Total	4,890,519		

That's nearly 5 million in expenditures in 6 years.

Actual funds held in the reserve have been well below the requested expenditures

Actual Reserve Resources

2008-2009	267,814	267,814	100%
2009-2010	321,686	53,872	17%
2010-2011	395,491	73,805	19%
2011-2012	379,791	(15,700)	-4%
2012-2013	286,888	(108,603)	-38%
2013-2014*	265,432	(114,359)	-43%
Total	1,917,102		
Average Balance	383,420		

*Historical Estimate

The average balance over the past five years of \$383,420 indicates many of the budgeted expenditures have never occurred. That said many projects have been funded from the Reserve Fund.

Actual Reserve Resources

2008-2009	267,814	267,814	100%
2009-2010	321,686	53,872	17%
2010-2011	395,491	73,805	19%
2011-2012	379,791	(15,700)	-4%
2012-2013	286,888	(108,603)	-38%
2013-2014	265,432	(114,359)	-43%
Total	1,917,102		
Average Balance	383,420		

Looking at the difference between the reserve and requested expenditures reveals almost a \$3 million variance.

Difference Between Reserve Expenditures and Resources

2008-2009	(588,494)	-69%
2009-2010	(1,165,821)	-78%
2010-2011	172,616	77%
2011-2012	(283,874)	-43%
2012-2013	(473,228)	-62%
2013-2014*	(634,616)	-71%
Total	(2,973,417)	

*Historical Estimate

How can this be a Reserve Fund when in every year requested expenditures far outpace available funds? Projects in this year's budget include the Grass Carp Study, Save Our Shoreline, Sewer LID's, Road Improvements, the CAFE, Grants to the Salmon Drift Creek Watershed Counsel, Interns, Fish Walkers, Water Trails and the creation of a DVD. These projects total \$634,616 more than the current balance of the fund. Some of these expenditures will occur should the budget be approved. This is a budget full of request to spend, indeed this is the second largest request made on the Reserve Fund in District history.

So what needs to be done?

I would submit to you that there is nothing Reserve about LB-11. It is being used as an extension of the General Fund. A very large extension being 245% greater than expenditures

from the General Fund. There is nothing Reserve about it, as the District has proposed to draw funds in excess of its balance 5 out of the last 6 years.

As previously recommend sound financial practice dictates that the board commit to a review of the Reserve Fund that would include the purpose of the fund and the process for which projects are approved.

I recommend that all or part of the Reserve Fund be converted to a Restricted Reserve Fund and the board review its stated purpose. This will require the district to live within the General Fund resources for the routine functions it performs from year to year. As it should be.

I would further recommend the board direct a specified amount of the annual tax levy to the Restricted Reserve Fund each year.

The Restricted Reserve Fund would be held aside for a special projects These projects would be funded in the annual budget only after thorough review by the board including if appropriate a public hearing process in order for these projects be authorized by the board for placement in the annual budget.

This should not create a burden as projects funded from this source should be strategic and previously vetted by the board. The creation of a DVD would likely not meet the test and should be funded from the General Fund.

Please take these suggestions as intended, a request to address the issue and one possible way to address a budget that needs some tighter controls. Once again I'll ask you today to consider a commitment to review the use of the Reserve Fund in the coming year.

Exhibit A

