

Director's Report – July 2017

- a. **Budget 2018 – HOV staff have had a kick off meeting and discussed the 2018 budget. Calls are being made to vendors and projections for the remainder of 2017 are being calculated. As discussed, we have moved the timing up one month to get the process done in a timely fashion so we can notify member communities of 2018 rates. Presentation and discussion of the 2018 budget is set for the budget workshop at 5:00PM prior to the regular Commission meeting on September 12th. The 2018 Budget public hearing/adoption is to be heard at 6:00PM on October 10th.**

Budget direction is needed on the following:

- **During the annual audit Erickson & Associates made the recommendation that interest earned on the Equipment Replacement Funds be placed in the Equipment Replacement Fund as the fund balance is being regularly used to fund purchases in Account 50100 of the budget. Interest accumulated on Undesignated reserve funds would remain in the fund and remain undesignated.**
- **Fund Balance Applied – this is a calculation that results in HOV holding less cash in the undesignated reserve fund. The result back fills a portion of the annual budget reducing the sewage rate structure and ultimately the amount charged to the HOV member communities. This is a purposeful draw down of the undesignated reserves funds that minimizes the cash reserves that HOV can hold and invest for future use. We have now arrived at a fund balance level where this practice is no longer advisable.**

Consider the following:

The undesignated balance has dropped from \$3.64M year end 2013 and now stands at \$2.48M year end 2016.

The 2016 budget has O&M costs of \$4.588M exclusive of debt service payments on the CWF bonds. The undesignated balance is now at 54% of the annual O&M costs. The recommendation by our auditor is to maintain at least 6 months O&M costs, or 50%, in the undesignated reserves.

Former auditor Ehler's and Associates recommend adoption of a policy to maintain no less than 50% and no more than 100% of O&M costs back on 9/13/2011. No formal policy was adopted by the Commission back then but now is a good time to revisit this topic.

If the calculation remains unchanged (uses a 3-year avg) the available revenue off set for 2018 would be \$178,488 which is a reduction of over \$75,000 that was used in the 2017 budget.

- b. Work continues on gathering further information and documentation on past projects. SMS was on site 8/1 and is working with contractors that have done or are capable of this sort of work. Scott is seeking input on how best to approach the marine based work including equipment needs and land based access points that can be used to reach the interceptor sewer. SMS is scheduled to come again on 8/9 to continue working through the details on the interceptor action plan.

- c. I have received one proposal for relocation of the property monuments on McFarland Place. I am working thru a couple details and have not heard back or received a revised proposal about an irregular piece of property that adjoins 900 lot on McFarland Place. I have kept Mr. Maas updated of the progress and hope to have this completed before the next Commission meeting.