

Please return to:

Executive Assistant
Kennewick Irrigation District
12 West Kennewick Avenue
Kennewick, WA 99336

**KENNEWICK IRRIGATION DISTRICT
RESOLUTION 2011-31**

2012 BUDGET ADOPTION

A **RESOLUTION** for the purpose of adopting the Kennewick Irrigation District approved combined operating budget for 2012.

WHEREAS, Kennewick Irrigation District has adopted a rate structure and can estimate its revenues and expenses for the calendar year 2012; and

The Board wishes to use best practices by having a budget for all types of operating and reserve funds on the cash basis as adopted by the District; and

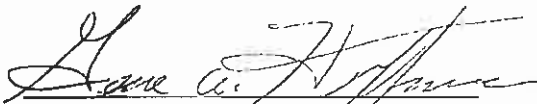
The Board desires to set salaries and is herein approving the attached salary scales as updated per Board policies; **and**


The District's new projected expenditure total (Summary Report Attached) is \$11,006,263 for all Operating Fund Types and \$449,587 for all Non-Operating Restricted Reserve types for a total of \$11,455,850 including the transfers to the planned reserve accounts.

NOW, THEREFORE, BE IT RESOLVED:

That Resolution 2011-31 with \$11,455,850 in expenditures is hereby adopted by the Board of Directors of Kennewick Irrigation District, Benton County, Washington, at an open public meeting thereof this 18th day of October, 2012.


David McKenzie, President


Gene Huffman, Vice-President


Kirk Rathbun, Director

ABSENT

John A. Jaksch, Director

ABSENT

Patrick McGuire, Director



October 18, 2011

President David McKenzie and Board Members
Kennewick Irrigation District
12 W. Kennewick Ave.
Kennewick, WA 99301

Dear President McKenzie and Board Members:

It is with great pleasure that I submit the revised proposed 2012 budget. The format for this budget provides for a three year look back allowing you quick reference to see how expenditures requested for next year compare to previous years.

Revenue Assumptions:

This budget proposes no increase in assessments including the capital improvement component charge. Revenues were held to 2011 levels plus 1% for growth in number of customers, irrespective of any possible changes to the rate structure.

This budget is balanced with a projection of \$8,066,777 in total general irrigation fund revenues; \$ 7,533,590 in basic assessments and \$533,187 in loan collections, fees, interest and transfers, and is balanced with \$ 8,066,777 in general irrigation fund expenditures and reserve fund transfers. The Capital Upgrade & Improvement Fund-Irrigation has a budget, which anticipates \$1,166,470 in capital assessment revenues and \$300,000 in potential grant revenues.

This budget reflects the Realty department closing sales on \$1,400,000 of District owned property. This reflects current levels of interest.

Expenditure Assumptions:

This budget proposes refilling one position that has been unfunded since early 2010 in the operations department. Consultant utilization continues to be minimized with those duties shifted to internal resources.

Additionally, we have added the Board-proposed engineering/project management position in this final draft.

Salaries and wages have been budgeted and are presented consistent with the salary survey completed and accepted by Resolution 2011-17 and with existing union contracts. This budget includes a 0.5% COLA based on 85% of the Seattle metropolitan area consumer pricing per the Board's adopted salary survey policy. No employee will be granted a raise whose salary or wage is over 100% of the current market-based top

of range as adjusted by the consumer price adjustment for the year. For those employees who are under 100%, any wage or salary increase will not exceed 100% of top of range for that position.

Reserve Funds:

The following irrigation reserve funds are incorporated into the budget with requested transfer and other revenue amounts as follows:

• Equipment Replacement Reserve Fund -	\$ 402,250
• Emergency Mitigation Reserve -	\$ 33,190
• Carryover Fund (Operating Reserve Fund) -	\$ 128,271
• Conservation Capital Fund -	\$ 100,000
• General Capital Projects Fund -	\$ 202,200
• Red Mountain LID Fund -	\$ 600,000

Realty:

Staffing levels will remain at one FTE and continue operating this department on the model that has served us so well. Staff return phone calls, are available to meet with any interested party on short notice, keep signage up, and work closely with the Realty Committee to continue to provide timely accurate information to interested parties.

Capital Projects Fund:

This budget includes bringing the capital budget into sync. Since its inception, the capital program operated in a different fiscal calendar than the irrigation budget. Additionally, the USBR Water Smart Program grant is included. This grant was for \$300,000 for canal lining, the district was also awarded a \$30,000 seepage reduction grant to be used in 2011 or 2012 as work can be completed.

In the General Fund Capital Improvement Plan, staff proposes the following projects:

1. Elevator	\$70,000
2. Web Site Redevelopment	\$18,000
3. New Software – Water Mgt.	\$74,200
4. Shop/Office Improvements	\$40,000
Total	\$ 202,200

Potable Systems:

As you know, KID owns and operates two potable water systems; Elliott Lake 502 and Lorayne J 501. Budgeting for these systems is separate and distinct from all other budgeting and funding sources because they are separate Enterprise Funds which means that co-mingling of funds is prohibited by policy.

Staff is suggesting rate increases for both systems due to infrastructure improvements that need to be completed to meet regulatory requirements. For Elliott Lake, staff is proposing a \$11.00 per month increase; Lorayne J a proposed \$5.50/mo increase. The

actual increases will be adopted by the Board following public hearings in the next 2-3 months.

In closing, this budget reflects conservative revenue projections and realistic expenditure projections based on analysis of district needs. The reserve funds continue to be funded at a level that anticipates future needs and that protects the District in case of emergency or economic distress.

I look forward to working with you in continuing to make the KID a more efficient customer oriented community leader.

Regards,

Charles Freeman
Secretary, District Manager

cc: Colleen Storms, Treasurer / Comptroller
Department Heads
File

Proposed 2012 Budget – October 18, 2011

To: The Kennewick Irrigation District Board
From: Treasurer Storms
Subject: Proposed 2012 Draft Budget

The Proposed 2012 Budget attached in its final draft includes some general assumptions that will provide background for the Board. The District is one legal Enterprise fund, but accounts for its activities in several different internal funds. Per generally accepted accounting principles the number of true funds should be kept to the minimum required for the entity's accounting and business needs. KID is using funds where we have a need to segregate the cash that we wish to identify with a particular entity. Our current funds include:

0344 Debt Service for the Elliott Lake State Loan Repayment
0348 Elliott Lake Potable System operations
0349 Lorayne J Potable System operations
0400 General Irrigation Operations of the District with all operating departments
6410 Carryforward (Operating) Reserve
6420 Equipment Replacement Reserve
6440 Emergency Mitigation Reserve
6500 Realty Reserve
8000 Capital Irrigation Infrastructure Upgrade/Improvement Fund (Prev. Canal Rehab)
8002 Red Mountain LID Fund
8004 Conservation Capital Project Reserve
8010 General Capital Projects Fund
8008 LID Construction Fund

General Assumptions in this budget

REVENUES

We targeted the same assessment revenues from our customers plus a 1% growth factor for the increase in number of accounts related to subdivision and other incremental growth. Projections for fees like delinquencies, interest charges, and other service fees are based on the 2011 actuals without an increase to fee rates. Interest income assumptions are based on 2011 actual amounts as well.

GENERAL ASSUMPTION REGARDING EXPENDITURES

Where actual increased expense rates for 2012 were known, we projected those actual increases. This applied primarily to benefit expenses (without health insurance which has not been enumerated yet) and utility rates if increases were known. Where increases were not known, a 3% increase over the annualized 2011 actual amount was projected unless a more conservative estimate was advisable (i.e. electricity was projected to increase by 9%). The finance committee decided on using a 10% inflator on the general insurance costs from 2011.

Salaries are the most complex part of the projection because of the two different union contracts, as well as the newly adopted salary scale that acts as a “not to exceed” maximum. The amounts put in the budget are for *estimating purposes only*, not construed to be mandatory raises as performance evaluations are considered prior to any raise being approved. Actual increases can be approved by the District Manager within the ranges the Board has approved and the bargaining agreement provisions. The assumptions, based on the contract signed for the field and projecting no change to the expiring office contract are:

- First, the adopted Field & Exempt Salary Scale from April of 2011 was inflated by a factor of .5 or ½ of a percent. This is the adjustment effective January 1, 2012 based on the look back month of May 2011. From April 2011 when the salary comparables were agreed upon to May of 2011, the Seattle CPI increase times 85% was approximately .0047, which we rounded to .005 or half a percent.
- Next, the Field Union positions were recalculated using the .5% CPI increase and then the contract’s 2.8% increase, but if those increases would exceed the high number on the 1/1/12 Salary Scale, the new rate would be the top of the scale.
- The Office Union positions were recalculated using the 3% steps without COLA, which is the amount of a step increase given on the anniversary date under the current contract (the new contract is yet to be developed).
- Field health benefits are reduced to 93% KID paid based on contract.

CAPITAL FUNDING

For overall budget coordination, the proposed capital assessment revenue and an estimate of expenditures is included in this draft budget. The actual capital expenditure budget will be approved when presented by the Engineering Department; this gives them the budget constraints to work within.

We have further clarified the use of the three internal Capital Funds: 6420, 8000, and 8010. They will be used as follows:

6420- This will be used as a reserve fund to accumulate equipment money. Actual purchases of equipment and vehicles will be made from 8010 and money will be transferred from here and possibly from operations (0400) to 8010 when purchases are planned. Purchases of new equipment out of this reserve may be approved by the Board during the year if not included in the original budget. Additional monies from operations may be combined with reserved funds to make equipment purchases from 8010 that are approved by the Board.

8000- This is the internal Fund that will be used for all Capital Irrigation Infrastructure Upgrades & Improvements. The main source of revenue will be the capital assessment, but money may be transferred here at Board’s direction from operations, or received from grants from time to time to assist in funding projects.

8010- This is the internal Fund that will be used for all non-irrigation infrastructure capital projects and purchases, including equipment and vehicle purchases, building improvements, land and other non-irrigation structure improvements, etc. Primarily, the funding for these expenditures will be transferred from 0400 and 6420.

FINAL THOUGHTS

By early next year we will be approving Accounting Policies that will identify what is the proper amount of Operating Reserves and budget surplus to ensure the District is prepared for extraordinary expenditures and emergencies that arise. This budget has a proposed surplus of under 2%, which very likely does not exceed the target that we will arrive at when we complete our policies. Any monies that are not spent during the year will accumulate in the Carryforward Reserve to be spent only upon board approval.

Kennewick Irrigation District
Summary of Revenues/Expenditures for Fiscal Year 2012
For Presentation 10/18/11

INTERNAL FUNDS		Estimated 1/1/12 Beginning Cash & Investments	2012 Budgeted Revenues	2012 Budgeted Expenditures including Non-Oper Transfers	Estimated Ending 12/31/12 Cash & Investments
Operating Fund Types	Fund Number				
General Fund	0400 *	\$5,835,760	\$8,066,777	\$8,066,777	\$5,835,760
Elliott Lake	0348	145,230	41,596	41,482	145,344
Lorayne J	0349	158,580	57,270	57,084	158,766
Capital Project Funds					
Canal Rehab Capital Projects	8000 *	-	1,466,470	1,466,470	-
Red Mountain LID	8002	-	600,000	600,000	-
Conservation Capital Projects	8004	200,000	100,000	-	300,000
LID Construction Project	8008	-			
General Capital Projects	8010	-	202,200	202,200	-
Operating Reserve Funds					
Carryforward(Operating) Resv	6410	968,250	128,271	-	1,096,521
Equipment Replacement Resv	6420	480,000	402,250	572,250	310,000
TOTAL OPERATING BUDGET		\$7,787,820	\$11,064,834	\$11,005,263	\$7,846,391
Non-Oper Restricted Reserves					
Emergency Mitigation Reserve	6440	170,400	33,190	-	203,590
Realty Reserves	6500	5,074,000	1,609,827	449,587	6,234,240
TOTAL NON-OPERATING BUDGET		\$5,244,400	\$1,643,017	\$449,587	\$6,437,830
TOTAL OPERATING & NON-OPERATING BUDGETS		\$13,032,220	\$12,707,851	\$11,455,850	\$14,284,221
* This assumes the 2011 transfer from 0400 to Cover 8000 Capital Projects Negative Balance					

Kennewick Irrigation District
Summary of Fund 0400 Expenditures By Department - Comparative 2012 to 2011
For Presentation 10/18/11

FUND		2012 Budgeted Expenditures (without Non-Oper Transfers)	2011 Budgeted Expenditures	Increase or (Decrease) in Expenditures	% Incr or (Decr)
<u>Irrigation General Fund 0400</u>		Dept Number			
General Exp-Non Departmental (incl Genl Capital Projects)	00	\$318,700	\$ 219,000	\$99,700	45.5%
Executive Dept	01	514,146	516,277	(2,131)	-0.4%
Finance Dept	02	1,424,525	1,466,524	(41,999)	-2.9%
Engineering Dept	04	828,930	724,291	104,639	14.4%
Operations Dept	05	3,732,462	3,972,934	(240,472)	-6.1%
Planning Dept	08	310,977	360,925	(49,948)	-13.8%
Realty Dept	09	188,587	259,555	(70,968)	-27.3%
Board of Directors	10	84,739	75,650	9,089	12.0%
TOTAL IRRIGATION OPERATING BUDGET w/o NON-OPER TRANSFERS	0400	\$7,403,066	\$7,595,156	(\$192,090)	-2.5%
Change in Expenditures without Non-Departmental Cap Budget 00:					-4.0%