

Agenda Item: 6.

**MEMORANDUM**

**TO:** Finance, Expenditures, and Legal Subcommittee

**FROM:** Zach Nelson, Project Manager

**SUBJECT:** Review and Recommendation on Account over 110% Elk Pigeon Creek Equipment Rental

**DATE:** May 31, 2017

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District policy 7.5 FEL Subcommittee-Budgetary Oversight states, "If, at any time during the fiscal year, the District expenditures from any budgetary account, for which more than \$10,000 was budgeted for the fiscal year, exceed the amount budgeted by more than 10%, the Chairperson of the FEL Subcommittee may call a meeting of such Subcommittee to consider recommendations to the Board with respect to such accounts."

The referenced account is submitted for review:

- Account: 01- Equipment Rental 17-01-000-4475
- Fiscal year budget: \$130,800
- Estimated final balance through end of FY 2017: \$175,000

Drainage District #5 was formed in the early 1900s to address drainage and flooding problems along the bottomlands adjoining the Missouri River. In 1999 the Papio-Missouri River NRD assumed the responsibilities of Drainage District #5 as a direct result of a merger. The NRD now maintains the 15 miles of levees along both Pigeon and Elk Creeks. The cost of capital improvements to the drainage project are shared equally from the NRD's general fund and the revenue generated from the special property tax assessment on drainage improvement project area (IPA) properties. The special property tax assessment on the IPA brings in approximately \$45,000 annually.

Last fall, District staff began work to dredge sediment from the channel of the Pigeon Creek using two rented hydraulic excavators along a 6.4-mile stretch between the Hwy 77 Bridge and South Bluff Road Bridge. It was anticipated that work would stop December 1st and resume April 1. However, due to favorable weather conditions, work was able to continue late into December and resume March 1st. As a result, the District has incurred two additional months of equipment rental expenses. The equipment rental fee and fuel costs the District approximately \$22,000 / month. Overall, the progress of the dredging operation has surpassed expectations. It is anticipated that major dredging excavation will be completed in July and final grading and shaping will be finished in August. The work has been completed using District staff, saving the IPA and District hundreds of thousands of dollars had the operation been contracted out.

**Staff recommends that the Subcommittee recommend to the Board of Directors, that Account #17-01-000-4475 (Equipment Rental) be allowed to exceed the 110% of the budgeted amount, with a maximum not-to-exceed amount of \$175,000 without further Board approval.**