

MEMORANDUM

TO: Finance, Expenditures and Legal Subcommittee

SUJECT: FY 2007 Proposed Budget

DATE: July 6, 2006

FROM: Marlin Petermann, Acting General Manager

Since the June 8, 2006 Board meeting there have been some changes to FY 2007 revenue and expenditure numbers. I have listed these adjustments separately for your review:

Adjustments
Italized = Revenue Accounts
Regular print = Expense Accounts

| | <i>Acct #</i> | <i>Description</i> | <i>Cuts (-) Adds (+)</i> |
|--------|----------------|--|------------------------------|
| Page 3 | #3000 | <i>General – Cash on Hand \$5,680,000 vs. \$5,100,000 This is an estimate. Final cash on hand will be determined when final revenues and expenditures are available.</i> | + 580,000 |
| Page 3 | #3010 (Rev) | <i>State Aid – Notification received from State. FY 2007 amount \$562,727.53 vs. 610,000 estimate</i> | - 47,272.47 |
| Page 3 | #4052 (Ex) | Vehicle/Equipment Repair - \$110,000 vs. \$100,000 FY 2006 expenses will total \$106,000. We will have to purchase 2 scraper tires in July; therefore, the budget has increased by \$10,000 | + 10,000 |
| Page 3 | #4151 (Ex) | Health, Life, Disability, Dental - \$371,500 vs. \$585,000. Original budget figure was projected at 10% increase. NARD Board took action to increase premiums by 28% (additional \$48,500). Nebr. Department of Insurance has determined that the NARD falls under the Nebraska Intergovernmental Risk Management Act, which requires us to have a minimum reserve of 20% of yearly premiums (\$600,000). NARD has not determined how this will be addressed – but we are looking at approximately \$3,700 per employee or \$165,000. This would be a loan - not an assessment. The NARD is looking at the possibility of issuing bonds – NARD will pay back the money. (See attached information) | +213,500 |

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|---------|----------------|--|------------|
| Page 4 | #4351 (Ex) | Social Security – 160,500 vs. 150,000. Increased to pay District’s portion of FICA underpayment on retirement contributions for FY 2003 and FY 2004 | + 10,500 |
| Page 4 | #4354 (Ex) | Medfica - \$40,000 vs. \$36,500. Increased to pay District’s portion of Medfica underpayment on retirement contributions for FY 2003 and FY 2004. | + 3,500 |
| Page 4 | #4398 (Ex) | Special Planning/Engineering/Recycling - \$240,000 vs. \$185,000. \$50,000 added for GM search and \$5,000 added for Flatwater Metroplex. | +55,000 |
| Page 7 | #4400 (Ex) | West Branch – Professional - \$200,000 vs. \$120,000 Tributary crossing design was delayed 6 months by contract negotiation. Work planed for FY 06 has been delayed to FY 07. | \$80,000 |
| Page 7 | #4430 (Exp) | West Branch – Land Rights - \$20,000 vs. \$30,000 Revised estimate due to less expected land rights impact. | -10,000 |
| Page 7 | #4479 (Ex) | West Branch – Contract Work - \$1,099,000 vs \$1,109,000 – Revised estimate by tributary crossing consultant resulted in a lower budget. | - 10,000 |
| Page 9 | #3010 (Rev) | <i>Floodway Purchase Program – State \$380,000 vs. \$225,000 – Grant from NEMA for the District All-Hazards Mitigation Plan was submitted, but payment will not be received until FY 2007.</i> | +155,000 |
| Page 11 | #4479 (Ex) | Project Maintenance – Contract Work - \$303,000 vs. \$258,000 – Added \$45,000 due to required OPPD power pole relocation at PL 566 Papio Creek structure S-31 site. Discovered during final design in June. | + 45,000 |
| Page 12 | #4410 (Ex) | Papio Reservoirs – Construction - \$3,480,000 vs. \$2,340,000 – The first of three payments for Shadow and Midland Lakes was not eligible in FY 2006 as anticipated, therefore, two payments totaling \$2.8 million will be made in FY 2007. | +1,140,000 |
| Page 12 | #4430 (Ex) | Papio Reservoirs – Land Rights - \$3,500,000 vs. \$4,250,000. Dam site 15A right of way acquisition reduced \$750,000. | - 750,000 |
| Page 13 | #4383 (Ex) | Urban Drainageway Projects - \$605,877 vs. \$694,797 Ft. Calhoun notified the District that the construction of their detention basin project would not occur during the next 12 months. | - 88,920 |

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|---------|----------------|---|------------|
| Page 15 | #3010 (Rev) | <i>State – NRWQ Funds - \$32,110 vs. 41,000 – The initial budget number was based on last year’s amount. Recent correspondence from NDNR indicates a lower amount would be the District’s share of the fund.</i> | - 8,890 |
| Page 15 | #4485 (Ex) | <i>Water Monitoring Programs - \$95,175 vs. \$62,500. Estimated number was used for draft. The new number reflects the correct amounts for water quality monitoring, primarily with USGS for well nest and grid network sampling and testing.</i> | + 32,675 |
| Page 16 | #3010 (Rev) | <i>Recreation – State Grant – Dodge Site - \$100,000 vs. \$150,000. – Re-evaluation based on grant scheduling.</i> | - 50,000 |
| Page 16 | #3134 (Rev) | <i>Recreation – Misc. – Campground Fees - \$66,000 vs. \$60,000. FY 2006 revenue was approximately \$66,000. Increase \$6,000 to better reflect actual income.</i> | - \$ 6,000 |
| Page 16 | #4385 (Ex) | <i>NRD Recreational Development - \$485,000 vs. \$585,000 – Re-evaluation based on grant scheduling for Elkhorn River Access Site at W. Dodge Road.</i> | - 100,000 |
| Page 17 | #3010 (Rev) | <i>Trails – Federal Awards - \$908,600 vs. 836,600 – Reflects increased reimbursement based on additional expenditures to meet the design schedule of Western Douglas County Trails project.</i> | + 72,000 |
| Page 17 | #3130 (Rev) | <i>Trails – Misc. Income - \$59,800 vs. \$49,000 - Reflects increased reimbursement based on additional expenditures to meet the design schedule of Western Douglas County Trails project.</i> | + 10,800 |
| Page 17 | #4400 (Ex) | <i>Trail – Professional - \$415,000 vs. \$325,000 – Additional funds needed to meet design schedule of Western Douglas County Trails Project.</i> | + 90,000 |
| Page 19 | #3000 (Rev) | <i>Wetland Mitigation Banking – Cash on Hand - \$191,000 vs. \$285,000 – Anticipated sale of wetland bank credits did not occur in FY 2006.</i> | - 94,000 |
| Page 19 | #3130 (Rev) | <i>Wetland Mitigation Banking – Misc. Income - \$109,000 vs. \$110,000 –Income adjusted to reflect interest projection.</i> | - 1,000 |
| Page 19 | #4400 (Ex) | <i>Wetland Mitigation Banking – Professional Services - \$48,000 vs. 73,000 – Expenses adjusted to balance Wetland Mitigation Bank income. This is a self-sustaining program.</i> | - 25,000 |

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|---------|----------------|--|----------|
| Page 19 | #4410 (Ex) | Wetland Mitigation Banking – Construction - \$55,000 vs. \$125,000 – Expenses adjusted to balance Wetland Mitigation Bank income. This is a self-sustaining program. | - 70,000 |
| Page 21 | | <i>Improvements Project Areas:</i> | |
| | #3723 (Rev) | <i>Thurston County Rural Water - \$263,475 vs. \$262,975 – Better figures now available.</i> | + 500 |
| | #3729 (Rev) | <i>Washington Co Rural Water #2 - \$1,045,866 vs. \$500,000 – Majority is mandated reserves by lenders.</i> | +545,866 |
| Page 21 | | <i>Improvements Project Areas:</i> | |
| | #4723 (Ex) | Thurston County Rural Water - \$263,475 vs. \$262,975 – Better figures now available. | + 500 |
| | #4729 (Ex) | Washington Co Rural Water #2 - \$1,045,866 vs. \$500,000 - Majority is mandated reserves by lenders. | +545,866 |

Budget Assumptions:

- ⊛ 5% increase in valuations is used to calculate the tax levy. The District has received a preliminary valuation from Sarpy County reflecting a 10.93% increase. Final valuations are not available until mid August. Last year’s valuation increase was 9.14%.
- ⊛ \$500,000 budgeted for Necessary Cash Reserve.
- ⊛ \$5,680,000 estimated for General Cash on Hand as of June 30, 2006.
- ⊛ The expense and revenue figures used are as of June 29, 2006 and do not reflect final figures. Final figures will not be available until after the July 13th Board meeting when June expenditures are approved.

Once again, I would like to point out that there are still several unknowns, i.e., final revenues/expenditures, cash on hand, Treasurer’s balance, valuations, final IPA budgets, etc.

Dates to Remember for P-MRNRD FY 2007 Budget:

- Public Input Meeting at July 13, 2006 Board Meeting
- Budget Hearing and Adoption of FY 2007 Budget at August 10, 2006 Board Meeting
- Set Tax Levy for FY 2007 at September 14, 2006 Board Meeting

It is management's recommendation that the Subcommittee recommend to the Board that the proposed FY 2007 budget be forwarded for review at the August 10, 2006, Budget Hearing with the provision that the Acting General Manager be authorized to make necessary adjustments once final figures are available to achieve compliance of state statutes regarding the lid.

Pt/budget/FY2007/list of cuts

June, 2006

CHANGES TO NARD INSURANCE PROGRAM

FY 2007 (Effective July 1, 2006)

| | | | | | | |
|---------------------|------------|------|----------|-----|----------|---------|
| Employee Only | \$452.70 | 100% | \$452.70 | 0% | \$0.00 | \$33.55 |
| Employee + Spouse | \$981.78 | 67% | \$657.79 | 33% | \$323.99 | \$62.19 |
| Employee + Children | \$778.29 | 67% | \$521.45 | 33% | \$256.84 | \$58.80 |
| Family | \$1,348.07 | 67% | \$903.21 | 33% | \$444.86 | \$91.19 |

The NARD board approved the recommendations from the NARD/NRD Employee Benefits Committee. In summary these are:

- Increase the deductible from \$400 to \$1000
- Increase the co-pay from 20% on the first \$5,000 to 20% of the first \$10,000
- Change mail order prescription from a three month supply for single monthly co-pay to a three month supply for 2-times a single monthly co-pay.
- Insurance Rates increases: Employee -14.67%, Employee/Spouse - 38.54%, Employee/Child - 21.59%, and Employee/Family - 34.67%
- Dental rate increases are 6% across the board.
- Short Term Disability coverage ends effective 12:01 am, July 1, 2006.
- As of July 1, 2006, Mike Tefft will no longer represent NARD.
- Begin working on a 125 Flex Plan for employees to use pre-tax dollars for health care.

Also, remember, the retirement contribution levels go up starting July 1, 2006 to 5.5% for the employee and 6.0% for the employer.

/pt/insure/fy 2007 NARD insurance rates

NARD Insurance Program Questions and Answers

What prompted the change to the program?

We had two cases from NRD employees over the past years that were denied claims because they were not covered by the NARD policy. One case involved a 23-year-old dependent that was not enrolled in school full-time, which made the individual ineligible for the program. The premiums paid for coverage were returned and cashed. The second case involves experimental treatment in which an employee and spouse paid cash in advance for herbal treatments that are considered experimental under our policy and not covered. The cases have not been paid by NARD and we do not plan to do such as the expenses do not qualify and are not covered.

In one case, the insured has gone to the Nebraska Department of Insurance to complain about our policy. The NDOI has ruled in our favor. However, in November 2005 the NDOI determined that the NARD Plan should be registered under the Nebraska Intergovernmental Risk Management Act and notified Mike Tefft of such at his home office. Mike verbally reported this to Dean Edson in November and reported that he would appeal to NDOI that our plan should not be included under the act because we ran a minimum premium plan. In April 2006, a final determination was made by NDOI that we have to comply with the act.

Since that date, we have met with the Department of Insurance, Mid-American Benefits (the third-party administrator for our program) and the NARD/NRD Benefits Committee to develop solutions.

Originally the date was set for July 1, 2006 but NDOI is extending this until September 1, 2006 at the request of NARD so we could look at some options.

What does the Nebraska Intergovernmental Risk Management Act require NARD to do?

NARD will essentially have to register, carry minimum reserves, be subject to reporting requirements, pay premium taxes and have procedures outlined on distribution of profits.

The minimum reserves are estimated to be 20% of premiums which would be about \$600,000 annually. We would be required to have an actuary calculate the reserve requirement and the soundness of the program.

An application needs to be submitted before we are approved. This application will require some legal advice, consultant and actuary work.

Why don't we have the reserves now?

NARD has run the program as a minimum premium program, which the primary goal was to estimate the minimum premiums to cover the liabilities. This works fairly well but didn't get the reserves built up because of the tendency to use what reserve is there to cushion the premium. In addition, we have tended to hope that the upcoming year would not have large claims.

In 2000 and 2004, the program had significant losses. In the future, we need to plan on having bad years and have the reserves in place to cushion these impacts.

What kind of reserves do we need?

The NARD/NRD Employee Benefits Committee is looking at all maximum exposures to calculate the need.

The first category is what are considered as “lasers”. These are individuals that the re-insurance company thinks will exceed the \$100,000 cap. When the company re-bids, they increase the cap for these individuals up to as much as \$300,000. The additional liability comes back to the NARD Program. This year, the lasers for 4 individuals are an additional \$500,000.

Next we need to determine what existing bills we have to pay for the current year that is not available right now, which amounts to \$270,000.

Then we need to add the reserve requirement to that total, which gets us to \$1.2 million.

If we went to a fully-funded premium, the company would do the same calculations plus profit so the premiums would increase proportionately.

What about a fully-funded program so we do not have to assume risks?

That is an option, but not for this year. We asked for fully-funded program bids in the renewal process and were turned down by several companies including Blue Cross/Blue Shield. In the future, this may be a possibility, but we ran out of options this year.

Why not just join the state of Nebraska employees program or the teachers program?

We asked the Nebraska Department of Insurance about joining the state program and they emphatically told us not to do it. They did not leave a favorable impression of the way the program is run, the benefits provided and the costs. We do not qualify for the teachers program as we are not part of the school system.

What about raising the money through bonds?

The statutes that govern the Intergovernmental Risk Management Act allow the entity running the program to issue bonds to the participants to generate the reserves necessary to run the program. In essence, this would be an asset to the NRD contributing the funds, rather than an expense that was created through the Employee surcharge a couple of years ago.

When the reserves are above the amount required by law, the Insurance fund can pay back the bonds, plus interest.

F Y 2 0 0 7 B U D G E T - P R O P O S E D

Revenue and Expense Figures
As of 5/31/06

| | |
|----------------------------|-----------------|
| Tax Levy = | 0.038647 |
| Property Tax Requirement = | \$16,512,314.67 |
| Total Requirements = | \$35,687,313.02 |

Papio-Missouri River NRD

Budget Summary for FY 2006 (July 1, 2005 - June 30, 2006)
and FY 2007 (July 1, 2006 - June 30, 2007)

R E V E N U E S

| Acct. No. | Account Description | FY 2006 Revenues | FY 2006 Revenues (thru 6/28/06) | % Used | Proposed FY 2007 Budget |
|---------------------------|---|------------------|---------------------------------|---------|-------------------------|
| Beginning Balance: | | | | | |
| | County Treasurer's Balance | \$222,119.37 | \$222,119.37 | | \$225,000.00 |
| | Cash on Hand as of 6/30/04 & 6/30/05 | | | | |
| | General (Page 3) | \$2,693,689.23 | \$2,693,689.23 | | \$5,680,000.00 |
| | Ice Jam (Page 9) | \$110,000.00 | \$110,000.00 | | \$113,500.00 |
| | Papio Creek Watershed Partnership (Page 15) | \$194,500.00 | \$194,500.00 | | \$163,800.00 |
| | Wetland Banking (Page 19) | \$94,000.00 | \$94,000.00 | | \$191,000.00 |
| | Missouri River Corridor Project (Page 20) | \$616,000.00 | \$616,000.00 | | \$627,000.00 |
| | TOTALS | \$3,930,308.60 | \$3,930,308.60 | | \$7,000,300.00 |
| | | | | | |
| 01 01-00 | General Administration | \$1,131,261.37 | \$1,078,976.05 | 95.4% | \$1,172,727.53 |
| | Property Tax - General | \$15,272,234.54 | | | \$16,031,373.47 |
| | County Treasurer's Commission (1%) | \$152,722.35 | | | \$160,313.73 |
| | Delinquent Tax Allowance (2%) | \$305,444.69 | | | \$320,627.47 |
| | TOTAL PROPERTY TAX REQUIREMENT | \$15,730,401.58 | \$15,864,277.78 | 100.85% | \$16,512,314.67 |
| | | | \$781,913.10 | | |
| | | | <i>(increase from fy 2006)</i> | 4.97% | |
| | TOTAL General Administration | \$16,403,495.91 | \$16,943,253.83 | 103.3% | \$17,204,101.00 |
| | | | | | |
| 01 03-00 | Flood Prevention | \$2,823,170.00 | \$1,147,007.38 | 40.6% | \$4,442,100.00 |
| 01 04-00 | Erosion Control - PL 566 | \$417,800.00 | \$201,262.36 | 48.2% | \$455,000.00 |
| 01 05-00 | Water Quality - Clean Lake Study | \$419,000.00 | \$372,442.27 | 88.9% | \$469,110.00 |
| 01 06-00 | Recreation - Rec Areas, Trails | \$724,500.00 | \$145,573.58 | 20.1% | \$1,141,900.00 |
| 01 07-00 | Forestry, Fish & Wildlife | \$1,108,500.00 | \$151,454.08 | 13.7% | \$1,762,000.00 |
| 01 08-00 | Improvement Project Area Assessments | \$5,301,514.51 | \$7,517,951.44 | 141.8% | \$3,867,721.02 |
| | TOTALS | \$31,128,289.02 | \$26,478,944.94 | 85.1% | \$36,342,232.02 |

E X P E N S E

| Acct. No. | Account Description | FY 2006 Expenses | FY 2006 Expenses (thru 6/29/06) | % Used | Proposed FY 2007 Budget |
|-----------|--------------------------------------|------------------|---------------------------------|--------|-------------------------|
| 01 01-00 | General Administration | \$4,860,062.51 | \$4,066,004.08 | 83.7% | \$5,383,119.00 |
| 01 02 00 | Information & Education | \$167,500.00 | \$157,740.92 | 94.2% | \$181,000.00 |
| 01 03 00 | Flood Prevention | \$12,078,000.00 | \$5,956,307.91 | 49.3% | \$13,860,500.00 |
| 01 04-00 | Erosion Control | \$2,109,919.00 | \$1,660,989.35 | 78.7% | \$2,862,197.00 |
| 01 05-00 | Water Quality | \$915,500.00 | \$390,694.09 | 42.7% | \$1,313,258.00 |
| 01 06-00 | Recreation - Rec Areas, Trails | \$2,747,001.00 | \$770,211.13 | 28.0% | \$3,812,187.00 |
| 01 07-00 | Forestry, Fish & Wildlife | \$2,948,792.00 | \$1,245,676.76 | 42.2% | \$5,062,250.00 |
| 01 08-00 | Improvement Project Area Assessments | \$5,301,514.51 | \$7,517,951.44 | 141.8% | \$3,867,721.02 |
| | TOTALS | \$31,128,289.02 | \$21,765,575.68 | 69.9% | \$36,342,232.02 |

Valuation Information

| County | FY 05-06 | FY 05-06 |
|------------|----------------------------|------------------------------|
| Sarpy | \$8,105,260,699.00 | \$8,987,891,031.00 * |
| Douglas | \$29,199,416,920.00 | \$30,659,387,766.00 ** |
| Washington | \$1,514,051,147.00 | \$1,589,753,704.35 ** |
| Dodge | \$2,088,143.00 | \$2,192,550.15 ** |
| Burt | \$326,936,497.00 | \$343,283,321.85 ** |
| Thurston | \$129,550,374.00 | \$136,027,892.70 ** |
| Dakota | \$959,718,291.00 | \$1,007,704,205.55 ** |
| | <u>\$40,237,022,071.00</u> | <u>\$42,726,240,471.60 *</u> |

* Preliminary valuation
 ** Estimated 5% increase used

| | | |
|-------------------------------------|----------|----------|
| TAX LEVY REQUIREMENT (per \$100.00) | 0.039094 | 0.038647 |
|-------------------------------------|----------|----------|

Valuation Increases:

| | | |
|------------------------------|--------|----------------------------|
| Sarpy | 10.89% | [FY 2002 increase - 6.56%] |
| Douglas | 5.00% | [FY 2003 increase - 4.89%] |
| Washington County | 5.00% | [FY 2004 increase - 5.32%] |
| Dodge County | 5.00% | [FY 2005 increase - 5.55%] |
| Burt County | 5.00% | [FY 2006 increase - 9.14%] |
| Thurston County | 5.00% | |
| Dakota County | 5.00% | |
| Overall Valuation Increase = | 6.19% | |

Valuation distribution - % in each County

| | | |
|------------|---------|---------|
| Sarpy | 20.14% | 21.04% |
| Douglas | 72.57% | 71.76% |
| Washington | 3.76% | 3.72% |
| Dodge | 0.01% | 0.01% |
| Burt | 0.81% | 0.80% |
| Thurston | 0.32% | 0.32% |
| Dakota | 2.39% | 2.36% |
| | ===== | ===== |
| | 100.00% | 100.00% |

| Sinking Fund | Balance 6/30/06 | FY 06 Activity | Balance 6/30/06 | FY 07 Activity |
|--------------------------|-----------------|----------------|-----------------|----------------|
| Uninsured Liability Fund | \$50,000 | None | \$50,000 | None |

| | |
|---------------------------|------------------------|
| General Expenditures | \$36,342,232.02 |
| Uninsured Sinking Fund | \$50,000.00 |
| TOTAL REQUIREMENTS | \$36,392,232.02 |