

**RED RIVER BASIN FLOOD DAMAGE REDUCTION WORK GROUP
BUDGET COMMITTEE MEETING SUMMARY**

February 24th 2010 1 PM

DNR Conference Room

2115 Birchmont Beach Road NE, Bemidji, MN

Attendees: Dan Wilkens, Mike Carroll, Paul Wannarka, Naomi Erickson, Pat Lynch, Jim Ziegler, Ron Harnack (by phone)

Absent: Brian Dwight, Jerome Deal

FY 09 & FY 10 Budget Status

The group reviewed the budget spread sheets provided by Naomi and agreed that they were an accurate reflection of our current status. We are carrying \$158,264 in our FY 09 Budget. We are showing a negative balance of \$17,210 in our FY 10 budget. The reason we are showing a negative balance in FY 10 is that the flood hazard mitigation grant contract between the Red Board and DNR Waters Division was recently executed the middle of January and no funds have been transferred between the two agencies at this point in time.

Un-liquidated Budget Management

It was decided that we will roll these funds forward into our FY 10 budget if we can.

It was also decided that we need to establish a process to on a more regular basis, assess our budget by category, to determine where we have funds, when they should be cleared or transferred and how we are fitting into the projected spending plan. We also need to establish two way communications with the watershed districts during this stage of the process and to require their expense reporting to be formatted by our spending plan categories.

We also will be adding a budget discussion session to the annual conference agenda. We will discuss what our priorities should be for un-liquidated balances.

Future Budget Management Procedures

New legislation now requires the Red Board to match the funds we receive from DNR Waters. Our understanding of the contract language is that the Red Board will have to contribute the same amount of money that we receive from DNR Waters, for this fiscal year that is \$275,000. It was also felt that the Red Board should be able to use unilaterally, expenditures encumbered valley wide rather than watershed district by watershed district. Pat Lynch will verify that our understandings of these issues are accurate. What expenditures qualify as matching is not totally clear at this point. Pat Lynch stated that he will research this issue as well and put in writing a short document

clarifying this process. After the process and guidelines are established we will make an effort to consult with the Legislative Auditor to make sure we comply with their interpretation of our contract requirements. There is also a public disclosure clause in the new contract as required by the Legislature. While we are not completely clear on what requirements are demanded by this change we believe that we will have to post a report on line as to the status of our budget which will include expenditure documentation and balances.

The group also decided to eliminate the two categories for watershed district support. We will no longer separate project team alternate analysis and project team support.

Fund Transfer Procedures Between DNR and Red Board

In the past once the flood hazard mitigation grant contract between the Red Board and DNR Waters Division was signed and executed DNR Waters would transfer the total allotment to the Red Board. Our understanding at this time is that this procedure will no longer be the method used. The funds will be held by DNR Waters and will only be released as a reimbursement for expenditures already made by the Red Board for this contract. Ron Harnack and others voiced concern over this change and Ron stated that he would meet with Kent Lokkesmoe (Director of DNR Waters) and try to get this reversed or at least see if we couldn't get 50% of the funds released up front.

Project Team Reimbursement Procedures

It was brought to the committee's attention that we may not be following proper project team support funding procedures. Our current practice is that watershed districts submit reports of actual expenditures and we have reimbursed them dollar for dollar up to the limits established and approved by the Work Group in the spending plan. It was pointed out that we may be authorized to reimburse them at only 50% of their claimed and listed expenditures. This policy could not be confirmed by anyone and will have to be researched.

Naomi will be sending the auditor's report to Paul W. outlining his recommendations that all project team reimbursements should be for actual expenses rather than based on a flat rate or undocumented lump sum payments. We have been assessing this process as a whole for some time and for the most part it is working as we need it to be, we just need to finalize some of the final details to make the policy whole and complete the documentation and formalize the distribution of the completed policy. As a part of that documentation we will also amend our established quarterly watershed district project team report procedures to require itemized expenses to be listed by our established categories.