Bassett Creek Watershed Management Commission

MEMO

To: BCWMC Commissioners and Alternates
From: Administrator Jester on behalf of Budget Committee
Date: August 14, 2025

RE: Budget Committee Recommendations on 2026 Operating Budget

At their meeting on July 31st, the Budget Committee reviewed the status of the 2025 Operating Budget, reviewed the 2024 audit, and discussed the 2026 Operating Budget. Committee members present at the meeting included Committee Chair Polzin, Commissioner Sicora, Commissioner Carlson, and former commissioner Anderson. TAC member Scharenbroich and Administrator Jester also attended.

Current 2025 Operating Budget status: Expenses for all budget lines are tracking as expected except for "Commission and TAC Meetings" which includes Commission Engineer expenses for attendance at meetings. Expenses in this line item are higher than expected due to the number and length of TAC meetings and the necessity for different (often multiple) Commission Engineers in attendance at Commission meetings to present on various agenda items. Engineers expect savings in other budget lines (such as Surveys and Studies) that will offset expenses at the end of the year.

2024 Audit: The audit was reviewed by the Administrator and Deputy Treasurer and submitted to the state. There were no "findings" (instances of concern) in the audit. The Budget Committee reviewed the final audit and received information on tasks the Deputy Treasurer will complete moving forward (at the recommendation of the auditor) including annually receiving a broker certificate from PMA – the firm who manages the 4M and 4MP investment accounts, and sending necessary forms and any uncashed checks over 3 years old to the State (standard practice for cities). Future audits will also include a "legal confirmation" (simple template form) with the Commission Attorney to understand any potential litigation (standard practice for cities).

Budget Committee Recommendations for 2026 Operating Budget: The proposed 2026 budget was sent to all city clerks and TAC members on June 20th with a request for comments by August 1st. No comments from cities were received.

The proposed 2026 budget assumed a general fund balance (as of January 31, 2025) of $384,402 (not including investment income). The actual fund balance reported in the audit (after subtracting investment income) is $643,507. This means the Commission came into the current fiscal year with more funds than expected, which has implications on spending and city assessments in 2026. In simple terms, there is about $259,000 "additional" funding available for 2026 than originally calculated.

The Budget Committee recommends the following changes from the original proposed 2026 budget. These changes are shown in the attached tables.

- Increase “Savings for 2026 Plan” from $5,000 to $15,000 to start saving a more appropriate amount for the next watershed plan update process.

- Increase “Education & Outreach” from $30,000 to $37,350. The Education Committee has routinely indicated that the education budget should be increased due to the importance of education as a tool to help address almost every watershed issue.

- Reinstate the transfer of $35,000 to the Flood Control Project Long Term Maintenance Fund. The original proposed budget zeroed this line item due to the balance of funds in that long term budget. However, if the FEMA grant is not awarded for the hydrologic and hydraulic update and conversion project, the Flood Control Project Long Term Maintenance Fund will be used for that project instead. Reinstating the $35,000 transfer is recommended as a risk management strategy.

- Lower the percentage of CIP levy funds transferred to the Operating Budget from 2.5% to 2.0%. This provides additional funding for CIP project implementation (design and construction). Transferring 2.0% was the practice for many years until recently, and is within the fiscal policy language of a 2.0 – 2.5% transfer.

- Lower total city assessments from the proposed $698,993 to $672,830. This results in an average increase of 1.5% over this year’s assessments.

The above changes represent a good balance between increasing some expenses where prudent, and lowering income (e.g., city assessments) because it’s not needed. The result is a 2026 year-end fund balance that is estimated to be 61% of annual operating costs. BCWMC fiscal policies state the fund balance should be about 50% of annual operating costs. While the proposed figure is slightly higher than potentially needed, a higher fund balance is a form of risk management as it can help stabilize future budgets if there are unexpected expenses or economic volatility.