

Blue Mountain Translator District
Budget Committee

May 23, 2018 Regular Meeting Committee Packet

Blue Mountain Translator District 1

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Regular Meeting at 1:30 PM
Daniel Chapin Building, Misener Conference Room
1001 4th St
La Grande, OR 97850

Budget Committee Regular Meeting Agenda May 23, 2018

1. Call to Order and Roll Call Vote - 5:00
2. Declaration of Conflict of Interest - 1:00
3. New Business
 - a. FY 2018-2019 Proposed Budget
4. Public Comment - 5:00
5. Adjournment - 1:00

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3.A. FY 2018-2019 Proposed Budget

Budget Message

In the air and on the ground, Blue Mountain Translator District is committed to delivering the best antenna television to our members. We set out in 1978, as a non-profit government municipal special district to bring signals and rebroadcast to Baker and Union Counties. Today we continue these efforts, are committed, and recognized the needs of Eastern Oregon. Financial support of the District is obtained from solicited service charge, and the placement of these service charges on property taxes following a property owner's failure to return a service charge letter. Revenue obtained from the District is used for the following objectives:

- Maintenance of three television translators in Baker and Union County;
- Delivery of regional television signals over three translators in order to provide news, education, and entertainment to rural residents;
- Maintenance of the translator broadcasting Oregon Public Broadcasting signals in northern Union County;
- Maintenance of a powerline providing power to tenants on Mt. Fanny in Cove, OR;
- Lease of facilities and property from the United States Forest Service and private firms that house District translators; and
- Public education of the District's services and unique source of financing.

Major Differences from the Previous Budget

The Budget for Fiscal Year 2017-2018 was not passed in compliance with state standards, and the budget for Fiscal Year 2018-2019 has been drafted to ensure compliance with state standards. Proper administration of the District's finances has allowed staff to properly project revenue for the following year, and the approved 2018-2019 General Fund Budget has not substantially exceeded the appropriations itemized in the 2017-2018 Resolution Adopting Budget. Staff and Director recommendations included in this budget include the creation of General Fund Line Items appropriating funds for Travel & Education, Power to be Reimbursed, and Lease to be Paid; creation of General Fund Line Items for income from Leases and Power Reimbursement; and increases in the General Fund Line Items appropriating funds for Worker's Comp. Insurance, Elections, and Membership Dues.

All budget forms have been updated to the most recent versions published by the Oregon Department of Revenue. The budget has been structured by program rather than by organizational unit as required by Oregon Law. All contingencies are identified as non-allocated funds also required by Oregon state law.

Budget Priorities for FY 2017-2018 and summary of recent activities

The Board of Directors approved an enlarged advertising budget for FY 2017-2018 with an intent to improve outreach and public education. Advertising activities included the purchasing print, radio, and social media advertisements; producing video advertisements for use during the following service charge letter campaign; and leveraging earned media opportunities to promote District services and improve visibility. Direct-paid Membership subscriptions grew from 400 to over 470.

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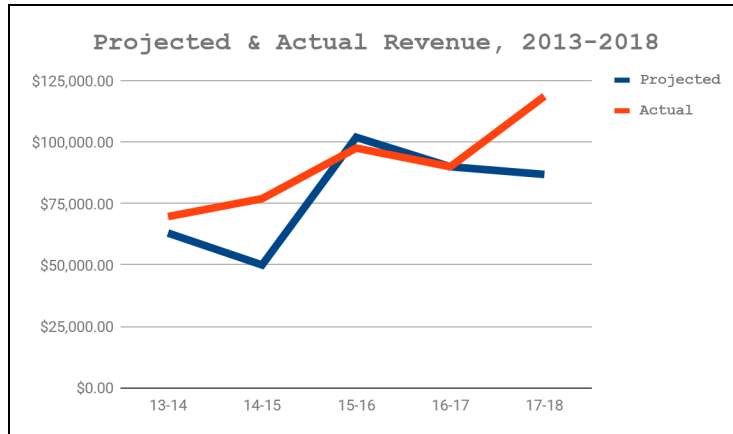
In summer 2017, the District received eleven 90-Day Notices of Intent to Begin 600 MHz Operations from T-Mobile following the 2017 Spectrum Auction conducted by the Federal Communications Commission. The District was forced to repack 11 channels in new frequencies, spending over \$20,000 to pay consulting firm Hatfield & Dawson Consulting Engineers for a channel study and assistance filing applications for Engineering Special Temporary Authority and Displacement with the FCC; and to the District's contract technician, RS Technology, for the purchase of new equipment, modification of existing equipment, hourly wages, and travel. The Board of Directors passed an inter-fund transfer resolution in February 2018 to transfer unexpected revenue in the surplus to General Fund Line Items impacted by the Spectrum Auction.

The Spectrum Auction may continue to impact during the 2018-2019 Fiscal Year. PBS is in the processing of reimbursing the District for repacking the Oregon Public Broadcasting Channel on Mt. Harris in Union County. Congress is in the process of passing a federal budget that includes reimbursement for low power television stations and TV translators impacted by the Spectrum Auction. The FCC will determine the District's displacement applications by May 15, potentially resulting in the disapproval of up to all 11 applications and a mandatory second repack. While T-Mobile has voluntarily offered to reimburse the District for reasonable costs associated with a second repack, the District may not be able to afford the up-front costs of repacking all 11 channels under projected revenue.

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Budget Narrative

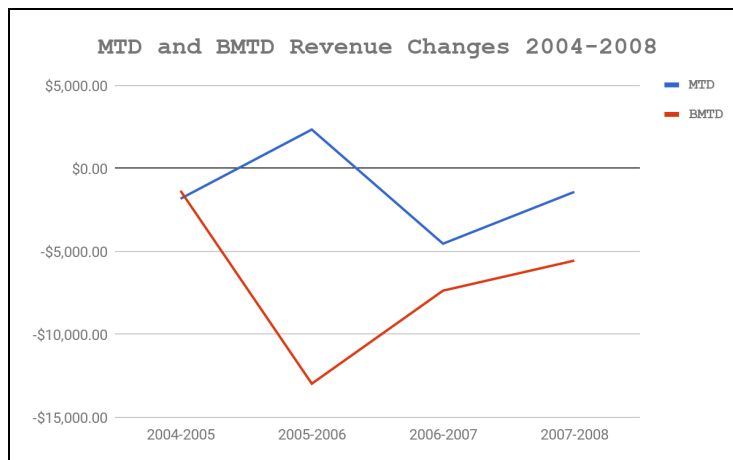
Membership Revenue Over Time



The District's volatile revenue system has made revenue projection nearly impossible over time. During FY 2017-2018, revenue of \$86,860 from direct dues and property tax charges was projected while nearly \$118,700 has been received as of April 2018. The District's winter reminder letter campaign has resulted in over 285 names being removed from the next delinquent property list. An inability to properly enforce payment for antenna use continues to

hamstring District operations, and antenna sale data provided from one local vendor, Bi-Mart, has not been useful for calculating the District's potential revenue. While the Baker City and La Grande locations sold 139 antennas in 2015, a 60% growth in property taxes resulted in a revenue increase of \$20,000. The following year, nearly 200 new antennas were sold at these store, but subscription revenue fell by \$3,000 and property tax revenue decreased by \$9,000.

Peer Institution Revenue



Comparing revenue with peer institutions is nearly impossible due to the closure of the only other Oregon translator district in 2009, while funding of translator districts by property tax in all other states makes the District unique. The failure of the nonprofit rural Oregon Wireless Television in Wallowa County to fund a translator through a system of voluntary dues is the only contemporary model for understanding our fiscal situation.

Data obtained from the Secretary of State shows that the Maupin Translator District suffered from severe revenue volatility during its last five years of operation. Following a revenue high of \$16,495.00 in 2003, MTD's 2004-2008 budgets saw revenue fluctuate between decreases of \$4,350.00 to increases of \$2,346.00, ending with a low of just under \$10,200.00. During the same period, BMTD revenue decreases fluctuated between \$1,343 and \$12,967.00.

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2018-2019 Revenue

The District can expect revenue from 4 sources during FY 2018-2019: Direct Membership Dues, Property Tax Charges, Property Leases, Mt. Fanny Powerline User Fees, Power Reimbursement, and Interest.

Membership Dues and Property Tax Charges were grouped together as one revenue source in the FY 2017-2018 budget, projected at \$86,860 but exceeding \$117,938.12 by March 2018, composed of \$48,577.81 in Membership Dues and \$69,360.31 in Property Tax charges. BMTD's Membership grew from 400 to nearly 480 by April 2018, which can likely be attributed to the Business Plan's advisement of website updates, social media engagement, the purchase of ads on various media, and now the production of video ads. Due to this growth and correlated advertising efforts, the District should project a similar number of subscribers for a grand total of \$47,700.00 in Membership dues.

In 2017, the District faced multiple administrative problems in assembling its LB-50's that resulted in several delinquent property lists being given to both County Assessors. Over 30 property owners who had the charge placed on their 2017-2018 Property Tax Statements have been refunded as of April 2018. Following the District's reminder letter campaign, the delinquent property list attached to the next LB-50's has shrunk by 285 to include fewer than 600 properties as of April 2018. Total property tax revenue, less the 10% processing fee allotted to both County Assessors, may result in property tax charge revenue as high as \$55,20000.

Property Leases and Mt. Fanny Powerline User Fees were grouped together as one revenue source in the FY 2017-2018 budget, projected at \$12,600.00. In 2018-2019, the District should project Powerline User Fee income of \$8,000 and Interest of \$10.68 for the Mt. Fanny Powerline Fund. The Mt. Fanny Powerline Fund shall be created by a Resolution of the Board in June. Lease income of \$12,600 should be projected in the General Fund.

In 2018-2019, the District should project Money Market Fund revenue of \$24.00 from interest. This Fund shall be created by a Resolution of the Board in June.

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General Fund

The Board of Directors will authorize the organization of the FY 2018-2019 under two new programs, Administration and Engineering, in the Resolution Adopting Budget. Administration will include the bulk of General Fund Expenditures. Engineering will include the funds necessary to reimburse a contract technician for services, \$1,000 for maintenance operations, and a \$15,000 capital outlay for equipment. \$10,000 is appropriated for the Operating Contingency under Non-Allocated Funds. Beginning Cash on Hand of \$111,046 and projected revenue of \$135,790.00, less expenditures of \$128,640.00, leaves an unappropriated ending fund balance of \$118,196.00 by the end of the fiscal year.

General Fund Administration Program Requirements

Personnel Services - These funds will be used to pay the wages and payroll taxes of the District's Secretary/Treasurer and potentially an on-call customer service technician. Staff recommends increasing the appropriation to account for a potential increase in wages.

Materials & Services - These funds will be used for a variety of administrative materials and service necessary for district operations, including existing allocations for advertising, contractors, office supplies, software, and property management.

General Fund Administration Program Detailed Expenditures

Wages - During FY 2017-2018, these Personnel Services (PS) funds have been used to pay hourly wages to the Secretary/Treasurer and a temporary office assistant. The Secretary/Treasurer will ask the Board of Directors to consider a wage increase of \$0.50 in August 2018, which may result in a total pre-tax wage increase of \$520.00. Staff recommends increasing the appropriation to \$17,000.00.

Payroll Taxes - During FY 2017-2018, these PS funds will be used to pay payroll taxes. Staff recommends increasing the appropriation to \$1,800.00.

Workers Comp Insurance - During FY 2017-2018, these PS funds have been used to pay for Workers Comp. Insurance for 5 Directors and one permanent employee. Staff recommends maintaining appropriation of \$600.00.

Advertising - During FY 2017-2018, these Materials & Services (MS) funds have been used to purchase print, radio, and social media advertisements, as well as produce video advertisements. Staff recommends maintaining appropriation of \$5,000.00.

Antenna Cost - During FY 2017-2018, these Capital Outlay funds have been used to purchase antennas for sale to Members. Staff recommends decreasing the appropriation to \$90.00.

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Consultant - During FY 2017-2018, these MS funds have been used primarily to pay the firm that maintains the District's Member database. This Line Item was also used to pay Hatfield & Dawson Consulting Engineers for its channel study and FCC application assistance. Staff recommends decreasing appropriation to \$5,000.00.

Election Cost - During FY 2017-2018, these MS funds have been used to reimburse the Baker County Clerk and Union County Assessor for expenses related to the 2017 Special District Elections. During FY 2018-2019, the District must hold three regular elections and two special elections for the Board of Directors. Staff recommends increasing appropriation to \$2,000.00.

Fees - During FY 2017-2018, these MS funds have been used to pay for banking services and state agency fees. Staff recommends decreasing appropriation to \$150.00.

Insurance - During FY 2017-2018, these MS funds have been used to pay for insurance bills underwritten by the Special Districts Insurance Services. Staff recommends maintaining appropriation of \$3,000.00.

Leases - During FY 2017-2018, these MS funds have been used to pay for leases on land owned by the US Forest Service and a private firm, as well as access permits for land owned by private firms. Staff recommends increasing appropriation to \$5,000.00.

Membership Dues - During FY 2017-2018, these MS funds have been used to pay membership dues to the Special Districts Association of Oregon, National Translator Association, and the Chambers of Commerce of Baker and Union Counties. The District intends to join the National Association of Broadcasters, and Chambers of Commerce of Elgin and Union, during FY 2018-2019. Staff recommends increasing appropriation to \$1,300.00.

Office Supplies - During FY 2017-2018, these MS funds have been used to purchase standard office supplies such as pens, ink cartridges, and folders. Staff recommends maintaining appropriation of \$500.00.

Phone & Internet - During FY 2017-2018, these MS funds have been used to pay for a VOIP phone service in its office and the web components of the District's database. Staff recommends decreasing appropriation to \$1,000.00.

Postage - During FY 2017-2018, these MS funds have been used to pay for the cost of sending service charge letters to properties that the District has determined is liable for a service charge, as well as sending reminder letters to properties that have not returned a service charge letter by February. Staff recommends decreasing appropriation to \$3,000.00.

Power - During FY 2017-2018, funds in this MS Line Item have been used to pay for power usage at all three translator sites. Staff recommends increasing the appropriation to \$25,000.00.

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Professional Services - During FY 2017-2018, these MS funds have been used to pay the District's contract accountant, Payroll and Accounting Services, PC, and the District's attorney on three occasions. Staff recommends increasing appropriation to \$4,500.00.

Refunds - During FY 2017-2018, refunds to property owners who were erroneously placed on LB-50's submitted to Baker and Union Counties were paid back out of the Membership Income Line Item. Staff recommends appropriating MS funds of \$2,000.00.

Rent Expense - During FY 2017-2018, these MS funds have been used to pay for the District's office in Baker City Hall and a storage unit in La Grande. Staff recommends maintaining appropriation of \$2,700.00.

Travel & Education - During FY 2017-2018, the District did not have a dedicated Travel & Education Line Item. A Director traveled for a workshop in May 2018, and staff traveled on three occasions, to a Department of Revenue workshop in December 2017, the Special Districts Association of Oregon conference and State Capitol in February 2018, and the National Association of Broadcasters trade show in April 2018. Staff recommends appropriating MS funds of \$3,000.00.

LB-30 General Fund Engineering Program Requirements

Personnel Services - These funds will be used to pay contract technicians to service the District's translators.

Materials & Services - These funds will be used to fund maintenance operations performed by contract technicians.

Capital Outlay - These funds will be used to purchase or modify equipment as recommended by contract technicians.

LB-31 General Fund Engineering Program Detailed Expenditures

Technicians - During FY 2017-2018, these Personnel Services funds have been used to pay contract technicians employed by RS Technology. Staff recommends increasing appropriation to \$20,000.00.

Repairs & Maintenance - During FY 2017-2018, these Materials & Services funds have been used to pay for maintenance operations. Staff recommends increasing appropriation to \$1,000.00.

Equipment - During FY 2017-2018, these Capital Outlay Funds funds have been used to purchase or modify equipment as recommended by contract technicians. Staff recommends increasing appropriation to \$15,000.00.

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LB-30 Non-Allocated Funds

Operating Contingency - During FY 2017-2018, the District did not have dedicated Operating Contingency funds. These funds will be maintained for use during financial emergencies. The District may need to repack up to 11 channels once again if the FCC does not approve Displacement applications. During FY 2017-2018, repack costs exceeded \$20,000.00. Staff recommends appropriating \$10,000.00.

LB-30 Unappropriated Ending Fund Balance

Unappropriated Ending Fund Balance - During FY 2017-2018, the District projected a surplus of \$18,300.00 that exceeded \$74,000.00 by March 2018. Staff project much lower 2018-2019 revenue than actually received in 2017-2018. Dedicating \$10,000.00 of unappropriated funds to the Operating Contingency Line Item leaves an unappropriated ending fund balance of \$118,196.

Reserve Funds

The District has two reserve funds for powerline maintenance and money market management. The Mt. Fanny Powerline Fund and Money Market Fund will respectively begin the fiscal year with balances of \$21,801.04 and \$48,918.04. The Mt. Fanny Powerline Fund receives \$1,000 per year from 8 payees, and average monthly interest of \$0.89. The Money Market Fund receives average monthly interest of \$2.04.

Mt. Fanny Powerline Fund - An restricted account established in 2005 shall be regarded as the Mt. Fanny Powerline Fund (Reserve), and created by Resolution with the passage of this budget by the Board of Directors. The purpose of this Fund is to defray regular powerline maintenance costs and fulfill other contractual obligations. This Fund shall be reviewed in 2025. This Fund is projected to have a beginning balance of \$23,801.04, while Interest and User Fee income are respectively projected at \$10.68 and \$8,000.00. Total resources are thus projected at \$31,812.02, \$5,000.00 is allocated to the Engineering Program for Powerline Maintenance classified as Materials & Service, and an unappropriated ending fund balance of \$26,812.02.

Money Market Fund - A restricted account established prior to the 2018-2019 Fiscal Year shall be regarded as the Money Market Fund (Reserve), and created by Resolution with the passage of this budget by the Board of Directors. The purpose of this Fund is to defray the costs of operational contingencies. This Fund shall be reviewed in 2025. This Fund is projected to have a beginning balance of \$48,918.04, while Interest is projected at \$24.48. Total resources are thus projected at \$48,942.52. \$20,000.00 is allocated to the Engineering Program for Equipment classified as Capital Outlay, and an unappropriated ending fund balance of \$28,942.52 remains.

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Resolutions Adopting Budget, Creating Reserve Funds, and Making Appropriations

Resolution 2018-2: Resolution Adopting Budget

Be it resolved that the Board of Directors of the Blue Mountain Translator District of Baker and Union Counties hereby adopts the budget for the fiscal year 2018-2019 in the sum of \$246,836.00.

Resolution 2018-3: Resolution Creating Mt. Fanny Powerline Fund

Whereas the Blue Mountain Translator District owns a powerline on Mt. Fanny,
Whereas the District has collected fees from powerline maintenance separate from the General Fund since 2005,

Resolved, the District hereby establishes the Mt. Fanny Powerline Fund (Reserve),
Resolved, the existing account in which all powerline user fees have been deposited shall be regarded as the Mt. Fanny Powerline Fund, and

Resolved, the purpose of this Fund shall be to defray costs associated with powerline maintenance and fulfill other obligations under contracts with powerline tenants.

Resolution 2018-4: Resolution Creating Money Market Fund

Whereas the Blue Mountain Translator District has had a Money Market account prior to the 2018-2019 Fiscal Year,

Resolved, the District hereby establishes the Money Market Reserve Fund,
Resolved, the existing money market account shall be regarded as the Powerline Reserve Fund, and

Resolved, the purpose of this fund shall be to defray the costs associated with operational contingencies.

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Resolution 2018-5: Resolution Making Appropriations

Be it resolved that the amounts for the fiscal year beginning July 1, 2018 and for the purposes of show below are hereby adopted as follows:

General Fund			
Administration Program		Engineering Program	
Personnel Services	\$19,400.00	Personnel Services	\$20,000.00
Material and Services	\$63,240.00	Material and Services	\$1000.00
Capital Outlay	\$0.00	Capital Outlay	\$15,000.00
Operating Contingency		\$10,000.00	
Unappropriated Ending Fund Balance		\$118,196.00	
Total		\$246,836.00	

Mt. Fanny Powerline Fund	
Materials & Services	\$5,000.00
Unappropriated Ending Fund Balance	\$26,812.02
Total	\$31,812.02

Money Market Fund	
Capital Outlay	\$10,000.00
Unappropriated Ending Fund Balance	\$38,942.52
Total	\$48,942.52

The above were approved and adopted this ___ day of June 2018.

Tim Wallender - Board President - BMTD