

BOARD MEETING MINUTES

January 26, 2026
64697 Cook Avenue
Bend, Oregon 97703

BOARD: Ed Galazzo, Jack Billings, Ron Cochran, Martin Warbington, Yves Teirlynck
STAFF: Chris Schull, April Harris Spath
GUESTS: Karin Cody, Nunzie Gould, David Arnold
Zoom Attendees: Susie Hart (joined portion of the meeting)

Chairman Galazzo called the Special board meeting to order at 2:07 p.m. and appointed April Harris Spath scribe.

RECORDING & ALLOCATION OF NON-ASSESSMENT REVENUE and LONG-TERM RESERVES

Director Cochran asked for a report on the meeting that was scheduled for the new Directors and TID's financial auditor, Rich Winkel.

On the topic of returning the fees that were collected for legal defense for the Stop-the-pipe lawsuit, Director Teirlynck stated that because we never set up a liability provision when collected, if we want to return those fees to patrons we will have to plan on a 2026 budget that will have a loss.

Based on GASB rules, you expend as you go and cannot set up a provision, or liability on the Balance Sheet, for future projects. Director Teirlynck stated that TID did both with the Steidl Dam maintenance. In 2021, \$189,560 of the repairs were first expended, then capitalized at year end, but the remaining work that was completed between 2022 and 2024 was only recorded as an expense. Director Teirlynck pointed out that if we collect funds for future repairs, such provisions need to be identified and backed up by reasonable calculations by an expert. A maximum amount needs to be determined, and top-up levels need to be agreed on. Director Cochran stated that they did identify what the funds were collected for. Teirlynck recommended selling the 540 acres on Laidlaw Butte, formerly known as the Cascade Mining Pit, and creating an endowment.

The question now is how the board wants to proceed going forward. If we continue to collect funds from patrons for future projects, how do we record that revenue and properly set up provisions. It was decided that Director Yves and Office Manager Spath would work on sorting out that portion of the financials, and the Board would focus on the operating budget today. Chairman Galazzo made a motion to appoint Director Teirlynck and Office Manager Spath to make up a financial committee to investigate the District's options for collecting funds for provisions and determine the best way to record and allocate non-assessment revenue. Director Warbington seconded the motion. Director Cochran, Vice Chair Billings, and Director Teirlynck voted in favor, and the motion passed unanimously with a 5-0 vote.

2026 OPERATING BUDGET

The board has always aimed for an operating budget with a zero surplus. However, the Income Statement includes "Operating" revenue and "Other" revenue, which results in a sizeable surplus on the P&L. (In prior years the operating budget has not included Other revenue as a source of income. Revenues collected from annual assessments and district fees fall under Operating. Cell tower & land lease income, Cash on investments, and Grant revenue fall under Other.) The board discussed how we can still collect for long-term needs without setting up a provision on the Balance Sheet. Director Warbington suggested we use this year to determine how our reserves should be allocated and determine max amounts. Once we reach that amount, any income we expect to receive should be used for operating expenses. Chairman Galazzo

stated that with the current budget, patron's bills will be lowered and that for this year, we should leave Other income out of the calculations for determining the amount of assessments needed to cover the Operating Budget.

Possibly paying off one or both DEQ loans was discussed. Director Teirlynck provided the board with information about the interest rates and maturity dates of both loans. Office Manager Spath explained where the loans and payments are currently recorded on the Balance Sheet and Income Statement. The 2011 loan (R92580) has a maturity date of 03/01/31 with a 2.88% interest rate. The 2018 loan (R92581) has a maturity date of 02/01/40 with a 2.18% interest rate.

Patron Nunzie Gould asked about Steidl Dam and when the last evaluation was done. Manager Schull stated it was probably around 15 years ago. The district began collecting funds in 2014 for Steidl Dam and began the maintenance work in 2021, once they had built up enough reserves to complete the Maintenance Plan created by the district's engineer. Schull stated we still need three more automated gates, which he predicts will cost between \$150-180k.

Manager Schull presented a Resolution Concerning Billing & Collecting Incurred Charges for the board to review. Chairman Galazzo read the resolution. Patron Gould expressed concern about there not being an adequate amount of time to review the resolution as it was not included in the board packet for this meeting. The board agreed to table the resolution until the next regular meeting in February. Gould requested a copy of the resolution be included in the packet for that meeting.

The board reviewed the Operating Budget line by line and discussed the following:

At the November special meeting, Operating & Maintenance fees were set at \$875/account, \$67/acre. Capital Improvement fees were \$40/account, \$5/acre. DEQ loan was set at \$50/account, amount based on the total annual payments for both loans (further discussion on paying off one or both loans to be determined later). HCP/Spotted Frog fee was formerly referred to as Special Projects and included consulting for special projects. This was changed and the current amount reflects only the budgeted amount for payments billed through the Deschutes Basin Board of Control (DBBC), set at \$44/account, \$4/acre. The board discussed these fees and agreed to not collect additional funds this year for the Capital Improvements Fund and remove the line item from assessments. Until a decision is made on potentially paying off the DEQ loans, that line item will remain but will be reduced to only cover the interest and fees portion of the payments, not the amount that is applied to the principle balances as shown on the Balance Sheet. Director Teirlynck stated that revenue from Other district fees was on the conservative side, but there is no way to predict what we will collect from these fees in the upcoming year.

Director Teirlynck asked about special project consulting, such as grant writing. He was under the impression it was done in-house. Chris stated it is both and that some of that is outsourced. It also includes other consulting, such as updating the Water Management and Conservation Plan (WMCP) that needs to be completed this year.

Board member fees were set at \$2,800 based on 4 of the 5 directors. This was reduced to \$2,000 based on 3 of the 5 directors taking the fee.

Director Teirlynck inquired about salaries and asked how the board determines compensation. Director Cochran stated that in prior years they discussed either providing the District Manager with a salary increase, or a bonus, but not both. For the remainder of the staff, they have used the Social Security's COLA as a base percentage. The current budget that was presented included a 3% COL increase for all staff, excluding the District Manager. Cochran recommended setting up a committee to determine fair compensation, based on what other districts are paying in Central Oregon. The concern was brought up about the possible need for more field staff if there is a rotation this year. Manager Schull stated that he

has confidence in our current field crew and that they could get a switchover done by 11:30 am if he is out there helping them.

The cost for the annual financial audit was lowered to \$11,500 because there will be no need for the addition of a single audit this year, which is only required when we receive federal funding in excess of \$750,000.

Director Teirlynck noticed that Community Outreach was much lower than prior years. Manager Schull stated we had been outsourcing the newsletters but will begin doing those in-house. Office Manager Spath stated this budget line includes the costs for the texting and email programs used to communicate with patrons.

Patron Karin Cody asked what was included in Telephone/Communications and Office Equipment & Software. Office Manager Spath explained that Telephone/Communications covers the cost of telemetry communications, internet for office and shop, office phones, and cell phones for the field crew and District Manager. Office Equipment & Software includes IT consulting and maintenance, website hosting, email cloud services, water rights and accounting software support, copier services, GIS mapping support, ESRI subscription, and Antivirus software.

Director Teirlynck asked Manager Schull about his involvement as an Oregon Water Resources Congress (OWRC) board member and asked if we can charge them for his time and travel. Chris explained it would increase their expenses, which would then be passed back onto us in our member fees.

Non-operating revenue that is recorded on the Income Statement under Other was reviewed. Teirlynck and Spath will be working on clarifying this portion of the financial statements throughout the year.

After more discussion about salaries, Cochran made a proposal to give Manager Schull both a 3% COL and a \$5,000 salary increase. Vice Chair Billings made a motion to approve a 3% COL increase for all staff, including the District Manager, and a salary raise of \$5,000 for Manager Schull (in addition to the COL). Director Cochran, Director Warbington, and Chairman Galazzo all voted in favor. Director Teirlynck said that he would either have to abstain or vote against, stating that in view of the absence of his involvement in Chris' performance review process and the fact that Director Cochran said we needed to confirm who had access to the reviews, he did not know what he would be voting on. Director Teirlynck expressed his opinion that it should be two separate votes and commented that he did not understand why the District Manager was being treated more favorably compared to the rest of the TID organization. There was no response to his comments, and Director Teirlynck voted no. The motion passed with a 4-1 vote.

Director Warbington made a motion to approve the 2026 Operating Budget as discussed today. Director Teirlynck seconded the motion. Chairman Galazzo, Director Cochran, and Vice Chair Billings voted in favor, and it passed unanimously with a 5-0 vote.

2026 DISTRICT ASSESSMENTS

Once all expenses were reviewed and adjustments were made, Office Manager Spath calculated the per account and per acre charges that would cover the amount needed for the approved operating budget, and the amount to be credited per applicable account for unused litigation-related assessment revenue that was collected in 2021 and 2022.

The following 2026 Assessment Charges were based on 696 accounts, 22 additional deliveries, and approximately 8,115 assessed acres.

Operating & Maintenance Fees - \$880/account and \$65/acre

DEQ Loan Repayment Fee – \$10/account
Reserve Fund for Projects (Capital Improvements) – \$0.00
HCP/Spotted Frog Fees (formerly Special Projects) – \$44/account, \$4/acre
Piping Lawsuit Credit – (\$258.00) per applicable account assessed in 2021 and 2022

Vice Chair Billings made a motion to approve the 2026 Assessment Charges as discussed. Director Teirlynck seconded the motion. Chairman Galazzo, Director Warbington, and Director Cochran voted in favor and the motion passed unanimously with a 5-0 vote.

2026 DISTRICT FEES

Vice Chair Billings made a motion to approve the 2026 District Fees as presented. Director Cochran seconded the motion. Chairman Galazzo, Director Warbington, and Director Teirlynck voted in favor and the motion passed unanimously with a 5-0 vote.

ADJOURN

Chairman Galazzo made a motion to adjourn the special board meeting at 5:33 p.m. Vice Chair Billings seconded the motion. Director Cochran, Director Warbington, and Director Teirlynck voted in favor and it passed unanimously with a 5-0 vote.