

TSCC Budget Review 2017-18

Burlington Water District

1. Introduction to the District

Burlington Water District provides both water and fire service to an unincorporated area that lies along Highway 30 between Forest Park and the Multnomah Channel. It is an area of about two square miles that encompasses a mix of residential, commercial and light industrial land uses. The district serves 113 customers.

The District is governed by five board members elected to four-year terms who serve without compensation.

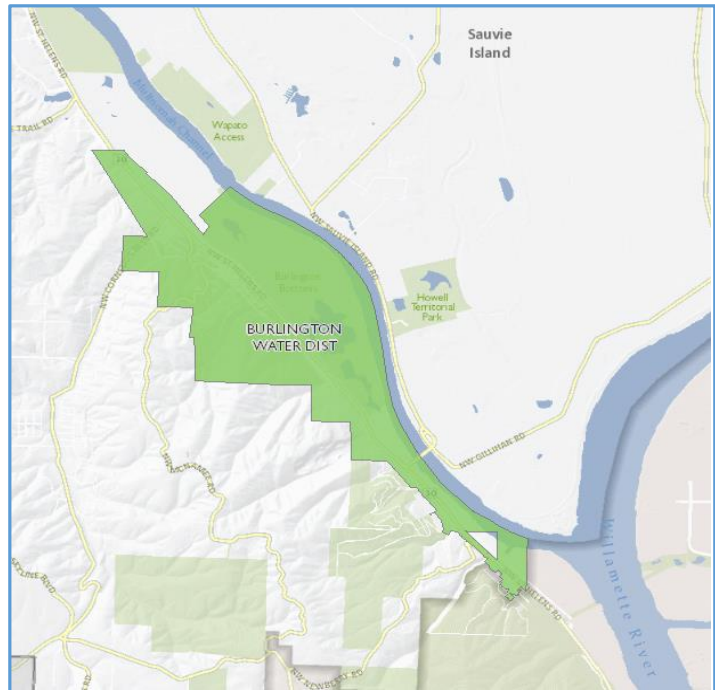
Burlington Water District purchases water from the City of Portland through a pipeline tie-in it owns. The District stores and distributes that water through its own system to its customers.

The District is half way through a 20-year water purchase agreement with the City. The agreement provides for annual rate increases.

The District contracts with City of Portland for fire protection service. This contract is renegotiated annually.

Water system costs are paid for by water rates. Fire protection services are paid for with property tax revenues.

The District employs a part-time Superintendent and a part-time Business Administrator, both of whom are long term employees.



Burlington Water	2014-15	2015-16	2016-17	2017-18
Assessed Value in Millions	\$33.4	\$35.3	\$36.0	
Real Market Value (M-5) in Millions	\$46.2	\$50.6	\$57.8	
Property Tax Rate Extended: Operations	\$3.4269	\$3.4269	\$3.4269	\$3.4269
Measure 5 Loss	\$0	\$0	\$0	
Number of Employees (FTE's)	0.50	0.50	0.50	0.50

2. District History

The district is generally located in the former city of Linnton, Oregon. Created as a rival to Portland for dock dominance, it was platted in 1843, incorporated in 1910, and annexed to Portland in 1915.

The district's size and service delivery has been stable for many years. The recent history is limited to the District's capital improvements: locating and replacing water lines, rehabilitating and replacing pumps, installing wireless water system monitors and controls, and replacing the District's reservoir. Capital improvements have been funded by a \$1.6 million state loan, of which about a third was forgiven due to the District's qualification for income disadvantage subsidy.

3. Strategic Plan/Performance Objectives

The district's goal has been to complete its water system upgrades, which it has done, and then turn its attention to fine-tuning the system: addressing leaks, minimizing fire hydrant accidents, and maintaining controls.

The fire protection function requires minimal attention as all services are contracted out. The district is interested in seeking competitive bids for the service, but at this point, only the City of Portland is in a position to provide the service.

While not a stated performance objective, on TSCC's recommendation, the District engaged a financial professional to assist with its budget and accounting procedures this year. The results are notable: the approved budget balances, it is reformatted to state standards, the number of funds is reduced from four to one, the unused funds are being properly closed out, and the District's administrator is looking to the future. She recognizes the need for and is advising a water rate increase this year.

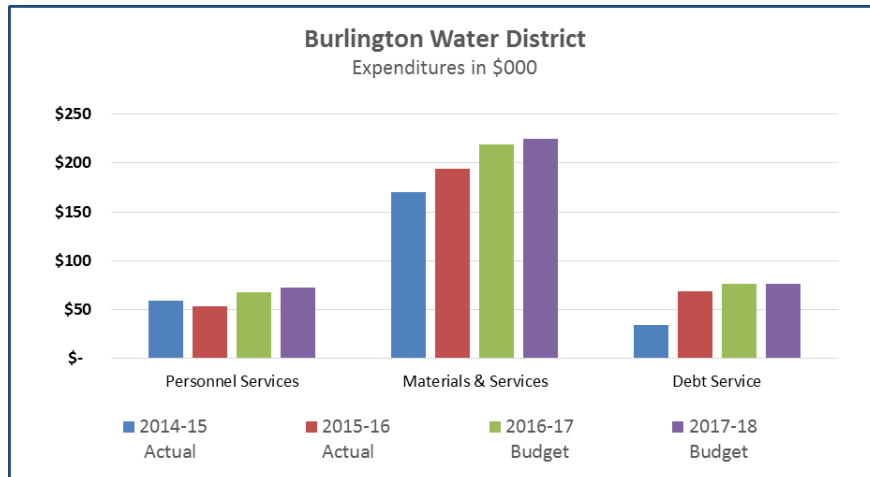
4. Budget in Total

Total 2017-18 budget is \$452k, a decrease of \$144k from the current year. The decrease is attributable to smaller interfund transfers and a smaller contingency. Core district expenses are increasing by only \$11,000 (3%).

Burlington Water District				
Total Budget in \$000				
	2014-15 Actual	2015-16 Actual	2016-17 Budget	2017-18 Budget
Personnel Services	\$ 60	\$ 53	\$ 68	\$ 72
Materials & Services	170	194	219	225
Capital Outlay	884	-	3	3
Debt Service	34	69	76	76
Fund Transfers	109	200	117	5
Contingencies	-	-	111	66
Ending Fund Balance	<u>174</u>	<u>167</u>	<u>3</u>	<u>5</u>
Total Requirements	\$ 1,430	\$ 683	\$ 596	\$ 452

Excluding capital expenditures (which are \$5,000), total expenses have increased gradually in the last four years, with the most significant increase being a doubling of debt service beginning in FY16. These expenditures are shown in the following table and graph.

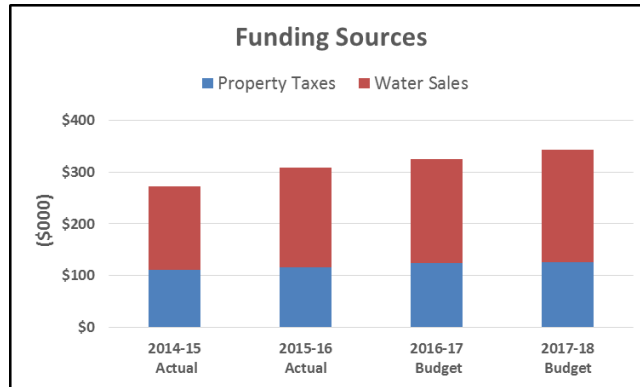
Burlington Water District				
Expenditures net of Capital Outlay (in \$000)				
	2014-15 Actual	2015-16 Actual	2016-17 Budget	2017-18 Budget
Personnel Services	\$ 60	\$ 53	\$ 68	\$ 72
Materials & Services	170	194	219	225
Debt Service	34	69	76	76
Total	\$ 264	\$ 316	\$ 363	\$ 374



5. Analysis of the General Fund

The District has two primary sources of revenue: water sales and property taxes. Both are received into the General Fund. The property tax rate is \$3.4269 per \$1,000 AV. Total current year AV is \$35 million and the District is estimating a \$36 million AV in FY18. The budget was prepared assuming an 8% rate increase.

Burlington Water District				
General Fund Revenues (in \$000)				
	2014-15 Actual	2015-16 Actual	2016-17 Budget	2017-18 Budget
Property Taxes	\$ 111	\$ 117	\$ 125	\$ 126
Water Sales	162	191	200	216
Other income	0	1	0	0
Total	\$ 259	\$ 264	\$ 324	\$ 342



Historically the District has used a special revenue fund to track the expenses for the fire contract with the City of Portland. Beginning in 2017-18, the Fire Fund is eliminated and the costs of the contract will be accounted for in the General Fund. The following charts reflect that change and standardize the annual comparison by showing the fire contract as a general fund expenditure.

Burlington Water District				
General Fund Expenses (in \$000)				
	2014-15 Actual	2015-16 Actual	2016-17 Budget	2017-18 Budget
Personnel Services	\$ 60	\$ 53	\$ 68	\$ 72
Materials and Services:				
Fire Contract	109	110	110	121
Water Purchases	29	37	43	43
System Maintenance	5	15	6	6
Other Costs	27	32	56	56
Capital Outlay	-	-	3	3
Debt Service	34	69	76	76
Total	\$ 264	\$ 316	\$ 361	\$ 377

6. Analysis of other Funds

The District has eliminated all other funds in the 2017-18 budget.

7. Debt Status:

The District has two loans. Both are infrastructure financing loans from the State of Oregon. The proceeds have been expended. The outstanding balance on the loans was \$1.4 million on June 30, 2016. Level debt service payments of \$69k annually are scheduled for the next 20 years. The district has budgeted \$76k for these payments, and TSCC staff will recommend decreasing that amount during the budget adoption process.

8. Is the Budget in sync with Strategic Plan/Performance Objectives?

The district’s strategic plan is limited in scope to maintaining the water system and making incremental improvements. The biggest challenge the district faces is maintaining a balanced budget in the light of increased debt service obligations: FY17-18 water system budget has expenses that are \$40k (18%) in excess of revenues, an improvement over the current year budgeted loss of \$51k.

Burlington Water District				
Water Utility Gain/(Loss) (in \$000)				
	2014-15 Actual	2015-16 Actual	2016-17 Budget	2017-18 Budget
Water Sales	\$ 162	\$ 191	\$ 200	\$ 216
Water Utility Costs	155	206	251	256
Gain/(Loss)	\$ 7	\$ (15)	\$ (51)	\$ (40)

9. Local Budget Law Compliance

Yes	No	Compliance Issue
✓		1. Did district meet publication requirements?
✓		2. Do resources equal requirements in every fund?
N/A		3. Does the G.O. Debt Service Fund show only principle and Interest payments
✓		4. Are contingencies shown only in operating funds?
✓		5. Did budget committee approve the budget?
✓		6. Did Budget committee set the levy?
	✓	7. Does audit show the district was in compliance with budget law?

Compliance Note: The 2015-16 audit showed an over-expenditure of \$1,460 in the General Fund. TSCC staff also noticed some anomalies in the audit and discussed the situation with the District’s auditor. This included discussion of the need to provide more financial expertise support to the District Administrator. In addition TSCC staff visited the District’s board of directors in June of 2016 and presented the recommendation for this support. Subsequently, the District engaged a finance professional to assist with accounting and budgeting, and the 2017-18 budget reflects well on that effort.

10. Highlights of the 2017-18 Budget to be published in TSCC Annual Report:

- The total 2017-18 budget is \$451k, a decrease of \$142k from the current year.
- Core district expenditures increase by \$11,000.
- The District is consolidating its budget from four funds to one.
- District Water Utility expenses continue to exceed utility revenues.
- The District has budgeted to increase water rates by 8% in 2017-18

Local Budget Law Compliance:

The 2017-18 Budget is in substantial compliance with local budget law. Estimates were judged to be reasonable for the purpose shown.

For the first time in recent history, the District presented TSCC with a balanced budget. District staff is commended for this improvement.

The audit report for fiscal year 2015-16 showed General Fund materials and services expenditures exceeded budget by \$1,460. This issue has been discussed with district staff. This breach of budget law is being addressed by the District as it works with a consultant to improve its budget processes and controls. .

Certification Letter Recommendations and Objections:

The District has over-budgeted debt service by \$7,000. TSCC staff will include a recommendation in the Certification Letter that this debt service budget be reduced to the actual debt service payment amount.