

TSCC Budget Review 2017-18

Lusted Water

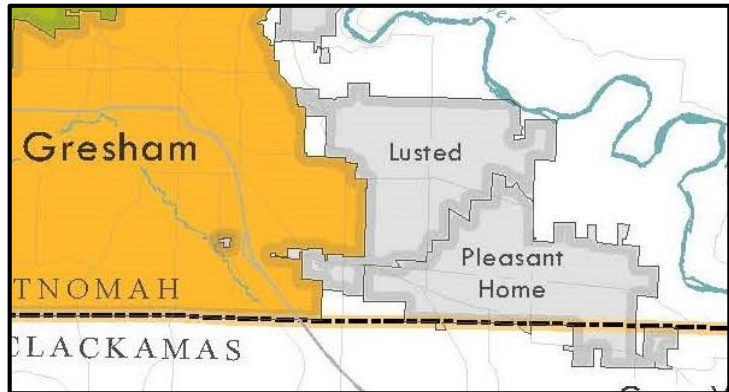
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Reviewed by: Tunie Betschart

1. Introduction to the District:

The district serves 30 square miles east of Gresham. Its borders are 282nd Street to the West; to Victory Rd. on the North; East to 302nd and south to one mile beyond Orient drive. The property owned by the district include Coones reservoir and pump station located at 302nd and Pipeline Rd, Barlow Water Tower, Lusted Road Pump Station and the Victory Heights Pump Station. The District serves approximately 410 customers including about a dozen commercial and agricultural customers. The District purchases water from the City of Portland. It has three water storage reservoirs and five pump stations.



Five board members elected to four-year terms are compensated \$50 per month. The District has a permanent property tax rate of \$.2423 per \$1,000 of assessed value. In May 2009 the voters approved a \$900,000 General Obligation Bond measure to replace the water tank.

Lusted Water	2014-15	2015-16	2016-17	2017-18
Assessed Value in Millions	\$111.2	\$116.3	\$120.1	
Real Market Value (M-5) in Millions	\$136.2	\$154.1	\$172.9	
Property Tax Rate Extended:				
Operations	\$0.2423	\$0.2423	\$0.2423	
Debt Service	\$0.6318	\$0.5922	\$0.5971	
Total Property Tax Rate	\$0.8741	\$0.8345	\$0.8394	
Measure 5 Loss	\$0	\$0	\$0	
Number of Employees (FTE's)	0.4	0.4	0.4	.04

2. History:

Lusted Water District was formed in 1966 with the merger of Powell Valley Water District Number 2 and Section Line Water District. With the introduction of Measure 50 the calculated rate for Lusted Water District was \$.02423 per \$1,000 of assessed value. The district has three finished water storage reservoirs in its system.

1. Coones Reservoir is the district's main storage facility. It is a 1.5 million gallon reinforced concrete reservoir constructed in 1975.
2. Barlow Tower is a 100,000 gallon reservoir constructed in 2012 using proceeds from the \$900,000 bond measure passed in 2009 by 62% of the voters.
3. Victory Heights reservoir is a welded steel sandpipe structure constructed in the early 1970's and provides approximately 15,000 gallons of storage.

The district has five pump stations: three are in use and two are idle.

3. Strategic Plan / Performance Objectives

None specified.

The District does have a Water System Master Plan shown below.

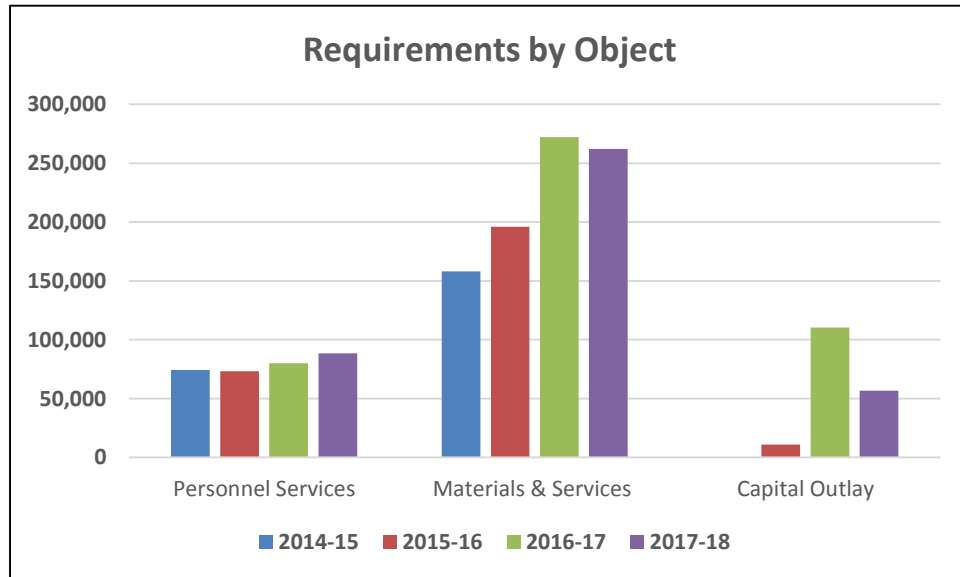
Capital Improvement Program Summary

Improvement Category	Project Description	CIP Schedule and Project Cost Summary (\$000)				
		Now	Short	Medium	Long	Estimated
		2017- 19	2020-24	2025-34	2035+	Project Cost
Storage Facilities	Coones Reservoir (1.5 MG) Replacement			\$1,155		\$1,155
	Replacement of Victroy Heights Reservoir (15,000) Gallons	\$145				\$145
Subtotal		\$145	\$0	\$1,155	\$0	\$1,300
Pumping Facilities	Coones Pump Station		\$160			\$160
	Lusted Pump Station			\$36		\$36
	Triangle Pump Station		\$36	\$30		\$66
	Division Drive Pump Station	\$22				\$22
	Victory Heights Pump Station	\$90	\$85			\$175
Subtotal		\$112	\$281	\$66	\$0	\$459
Distribution	Piping System Improvements	\$282	\$1,020	\$1,371	\$858	\$3,531
Subtotal		\$282	\$1,020	\$1,371	\$858	\$3,531
Other	Water System Master Plan Update		\$35			\$35
Capital Improvement Program (CIP)		\$539	\$1,336	\$2,592	\$858	\$5,325
		Annual Average CIP Cost				
		\$107,720	\$187,440	\$223,296		
		5-year	10-year	20-year		

4. Budget in Total

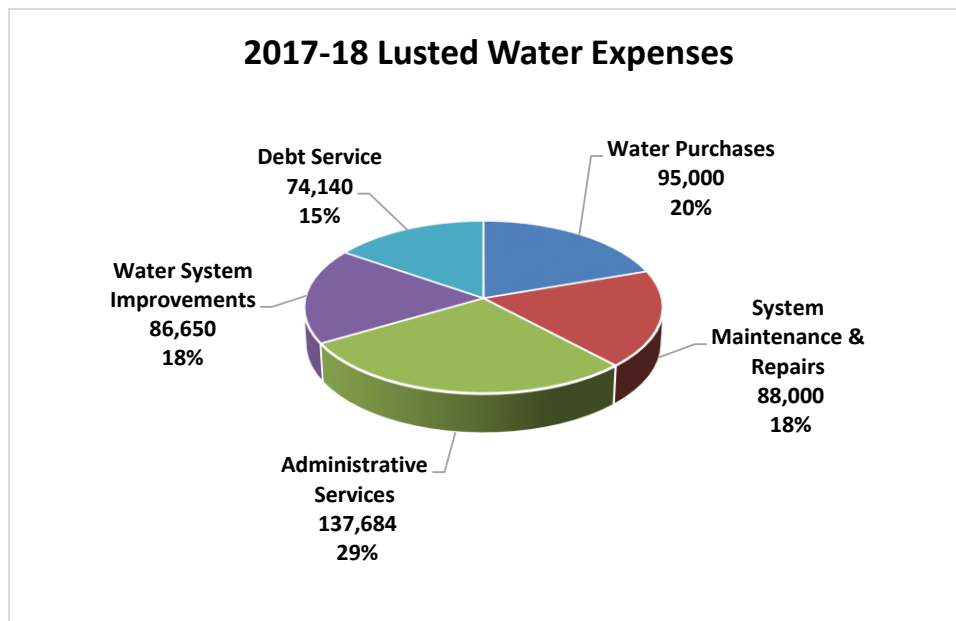
Total Requirements increased slightly from \$838 thousand to \$840 thousand. This is a result of an increase in water rates in 2017-18 which will allow the district to build the ending fund balance. The district is building the ending fund balance as it prepares for upcoming Capital Improvement Projects.

Requirements by Function				
All Funds (\$ thousands)				
	2014-15	2015-16	2016-17	2017-18
	Actual	Actual	Budget	Budget
Water Purchases	\$86	\$90	\$99	\$95
System Maintenance & Repairs	\$44	\$77	\$88	\$88
Administrative Services	\$102	\$102	\$135	\$138
Water System Improvements	\$0	\$11	\$140	\$87
Debt Service	\$69	\$67	\$71	\$74
Fund Transfers	\$0	\$40	\$80	\$0
Contingencies	\$0	\$0	\$20	\$20
Total Appropriations	\$301	\$388	\$634	\$501
Ending Fund Balance	\$237	\$282	\$204	\$339
Total Requirements	\$538	\$669	\$838	\$840



Materials and Services decreased in 2017-18 just over \$10,000 due to a decrease in both estimated cost of water purchased (\$3K) and office expenditures (\$3K).

In the 2017-18 budget, Administrative Services make up the largest percentage of overall expenses which include Personnel Services as well as office expenses, employee training and compensation for commissioners. The district is planning water mains and pump repair from its Capital Improvement Plan. System Maintenance & repairs will include power and pumping, cross-connection program and any repairs and testing of the system.



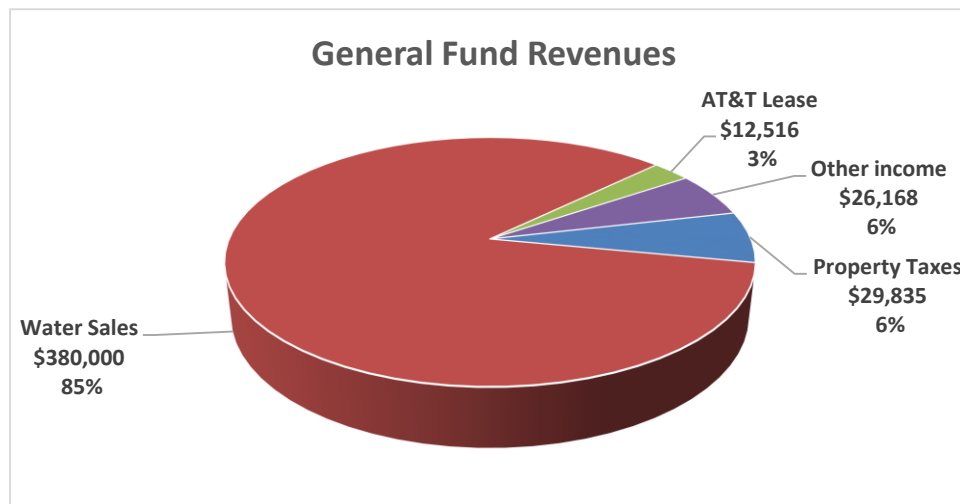
5. Analysis of the General Fund

The General Fund is used to account for all costs except the expenditures associated with Water System Improvements and debt service expenditures. The 2017-18 General Fund Budget is \$5 thousand higher than current year.

Fund resources are property taxes, water sales, and miscellaneous revenues.

Lusted Water District General Fund Resources (\$ thousands)				
	2014-15 Actual	2015-16 Actual	2016-17 Budget	2017-18 Budget
Property Taxes	\$ 26	\$ 27	\$ 29	\$ 30
Water Sales	178	299	320	380
Other Income	13	16	37	38
Beginning Fund Balance	<u>204</u>	<u>174</u>	<u>227</u>	<u>168</u>
Total Requirements	\$ 420	\$ 516	\$ 612	\$ 617

- Water is purchased at a wholesale bulk rate from the City of Portland and sold using a two-tier pricing structure.
- For customers using under 30 CCF the cost will be \$4.10 (a fifty-five cent increase) and for those using over 30 CCF the cost will be \$5.70 per CCF (a one dollar increase).
- The Base rate for customers will increase from \$25 per month to \$30 per month.
- New hook-ups in 2017-18 are estimated to generate \$8,800 in fees.
- The District receives \$12,900 from AT&T in rent for the communications antennae installed on the Barlow tower.
- Interest earnings are expected to increase slightly to \$2,000.



The major expenditure categories are personnel services, water purchases and maintenance and repair of the water system. The district maintains a fund balance of 30 to 45% of fund requirements.

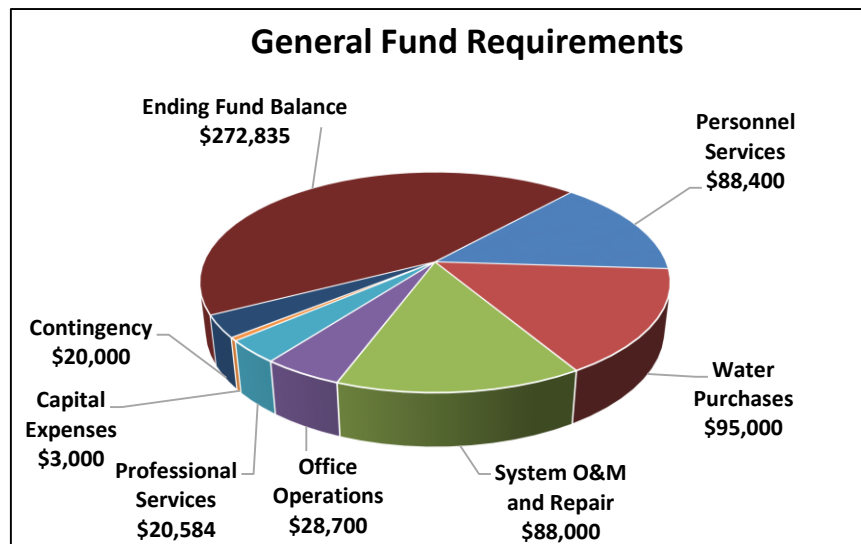
Lusted Water District General Fund Requirements (\$ thousands)				
	2014-15 Actual	2015-16 Actual	2016-17 Budget	2017-18 Budget
Personnel Services	\$ 74	\$ 73	\$ 80	\$ 88
Water Purchases	86	90	99	95
Office Operations	24	25	31	29
System Maintenance & Repair	44	77	88	88
Other Services	4	4	24	21
Capital Outlay	-	4	6	3
Subtotal Expenditures	\$ 232	\$ 273	\$ 328	\$ 324
Fund Transfers	-	40	80	-
Contingency	-	-	20	20
Ending Fund Balance	188	203	183	273
TOTAL FUND REQUIREMENTS	\$ 420	\$ 516	\$ 612	\$ 617

All Personnel Services costs are recorded in the General Fund and include salaries for two part-time positions:

- Superintendent
- Manager and Meter Reader

General Fund Materials & Services expenditures include:

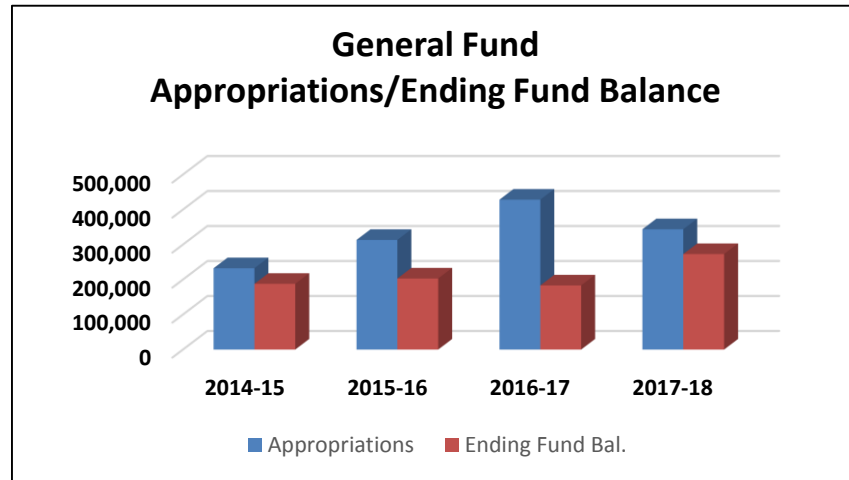
- Water Purchases
- System Operation, Maintenance & Repair (includes pumping & power, water testing and cross connection program)
- Office Operations (office rent, utilities & insurance; training, dues & fees)
- Professional Services (Attorney services, audit services, election fees)



Capital project dollars in the General Fund are used for new installations and System improvements. The District has budgeted \$3,000 in the General Fund for this purpose.

The district has budgeted a fund balance equal to 50% of the annual appropriations for several years. In actual years this converts to 65-80% of appropriations.

In FY18, they budget \$273K in Ending Fund Balance to carry into next FY year, which is a 48% (or \$90K) increase over the current year.



6. Analysis of other Funds

The district uses the Water System Improvement Fund for capital improvement projects. Revenue is generated from a portion of new services charges and interest. \$53,650 is budgeted in the Water System Improvement Fund for capital infrastructure improvements. This is a decrease from the \$104,500 budgeted in the current year to facilitate infrastructure.

Lusted Water District Special Funds ~ Requirements (\$ Thousands)				
	2014-15	2015-16	2016-17	2017-18
	Actual	Actual	Budget	Budget
Water System Improvement Fund	\$26	\$66	\$138	\$134
General Obligation Debt Service Fund	92	87	88	90
Total Non-General Fund Requirements	\$118	\$153	\$226	\$224

The General Obligation Debt Service Fund receives its funding entirely from property taxes and is used to pay G.O. Debt service.

7. Debt Status:

The voters approved a \$900,000 General Obligation Bond Measure on May 19, 2009 to replace an aging water storage tank. This is the seventh year the district will collect property taxes to pay for this bonded debt. Principal and interest payments total \$74,140 due in August 2018 (\$17,070) and February 2018 (\$57,070).

With an additional interest payment of \$16,070 due in August 2018, the district budgets that amount as ending fund balance so the funds are available the following year when the payment is due.

Lusted Water	6-30-14	6-30-15	6-30-16	6-30-17 est.
Debt Outstanding	\$ 825,000	\$ 795,000	\$ 765,000	\$ 730,000

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

Yes, the budget is in line with the system Master Plan as the district builds ending fund balance for future needed repairs to infrastructure.

9. Local Budget Law Compliance

Yes	No	Compliance Issue (If not in compliance, explain below)
✓		1. Did district meet publication requirements?
✓		2. Do resources equal requirements in every fund?
✓		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 (no over-expenditures or budget violations)?

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

- The total budget increased \$2,519 or 0.3% as the district continues to prepare for critically needed repairs and replacement of infrastructure.
- Following the 21% increase in the General Fund in the current year the district is budgeting only a slight increase in 2017-18 from \$611,500 to \$616,519.
- The District received the Water System Master Plan from its engineering firm and used this information when implementing the new water rates. The base charge went from \$20 to \$25 a month in the current year and will go to \$30 in 2017-18.
- A two-tier rate structure was implemented in the current year. These rates will increase in this budget with customers using less than 30 CCF paying \$4.10 (+\$0.65) and those using more than 30 CCF paying \$5.70 per CCF (+\$1.00).
- The District is budgeting \$56,650 for Capital Expenses (\$53,650 for infrastructure improvements, and \$3,000 for service installation and system improvements).

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.

The audit report for fiscal year 2015-16 does not note any expenditures in excess of budget.

Certification Letter Recommendations and Objections:

TSCC staff did not find any deficiencies in the district's FY 2017-18 budget or budget process and will recommend the Certification Letter contain no recommendations or objections.