

# TSCC Budget Review 2017-18

## Palatine Hill Water District

### 1. Introduction to the District

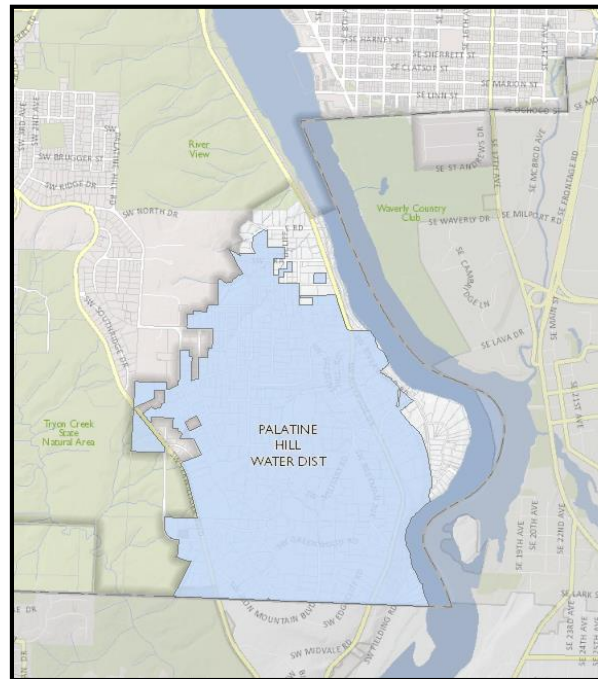
Palatine Hill Water District is located in Southwest Portland. It covers approximately five square miles and has about 600 customers.

This district purchases water from the Portland Water Bureau.

The district has five board members who are elected to four-year terms and serve without compensation.

### 2. History

The District certified its tax base authority in 1997-98 in order to determine a property tax rate under Ballot Measure 50. However, it has not certified a levy since then.



Palatine Hill Water	2014-15	2015-16	2016-17	2017-18
Assessed Value in Millions	\$535.7	\$553.3	\$575.8	
Real Market Value (M-5) in Millions	\$691.5	\$738.2	\$786.5	
Property Tax Rate Extended: Operations	\$0.0000	\$0.0000	\$0.0000	
Measure 5 Loss	\$0	\$0	\$0	
Number of Employees (FTE's)	0	0	0	

### 3. Strategic Plan/Performance Objectives

The District is systematically upgrading its infrastructure. Some residential development is forecast in the District, so the Board is planning for future new connections that could sharply increase the number of customers.

### 4. Budget in Total

The District's budget is decreasing by \$146k (5%) to \$2.7 million next year. However District expenditures are increasing by \$78,500, all of which is attributable to an \$80,000 (19%) increase in the cost of water.

The District does not levy its property tax authority. It relies entirely on water sales and incidental revenues to support its water system. The District has no debt.

<b>Palatine Hill Water</b>				
<b>Total Resources All Funds</b>				
(\$000)				
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Property Taxes	\$ -	\$ -	\$ -	\$ -
Water Sales	807	901	948	920
Other Revenue	50	100	53	59
<b>Total Revenues</b>	<b>\$ 857</b>	<b>\$ 1,001</b>	<b>\$ 1,001</b>	<b>\$ 979</b>
Fund Transfers	350	200	400	150
Beginning Fund Balance	1,174	1,503	1,433	1,559
<b>Total Resources</b>	<b>\$ 2,380</b>	<b>\$ 2,705</b>	<b>\$ 2,834</b>	<b>\$ 2,688</b>

<b>Palatine Hill Water</b>				
<b>Total Requirements All Funds</b>				
(\$000)				
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Materials & Services	\$ 513	\$ 556	\$ 664	\$ 749
Capital Outlay	13	242	312	305
<b>Total Expenditures</b>	<b>\$ 527</b>	<b>\$ 798</b>	<b>\$ 976</b>	<b>\$ 1,054</b>
Fund Transfers	350	200	400	150
Contingencies	-	-	100	100
Ending Fund Balance	1,503	1,706	1,358	1,384
<b>Total Requirements</b>	<b>\$ 2,380</b>	<b>\$ 2,705</b>	<b>\$ 2,834</b>	<b>\$ 2,688</b>

## 5. Analysis of General Fund

The General Fund is one of two district funds. The other is the System Improvement Fund. Operations expenditures are accounted for in the General Fund, and Capital Projects are accounted for in the System Improvement Fund.

The General Fund requirements are decreasing from \$1.6 million to \$1.5 million. Expenditures are increasing by \$86k from \$662k to \$748k by \$237k, an increase driven by the cost of water. Non-operating expenses, (Fund Transfers) are decreasing from \$400k to \$150k.

<b>Palatine Hill Water</b>				
<b>General Fund</b>				
(\$000)				
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Beginning Fund Balance	\$ 486	\$ 475	\$ 645	\$ 577
Water Sales	807	901	948	920
Other Revenue	45	50	24	26
<b>Total Resources</b>	<b>\$ 1,338</b>	<b>\$ 1,425</b>	<b>\$ 1,617</b>	<b>\$ 1,523</b>
Total Fund Expenses	\$ 513	\$ 556	\$ 662	\$ 748
Fund Transfers	350	200	400	150
Contingency	-	-	50	50
Ending Fund Balance	475	669	505	575
<b>Total Requirements</b>	<b>\$ 1,338</b>	<b>\$ 1,425</b>	<b>\$ 1,617</b>	<b>\$ 1,523</b>
<b>Revenue - Expenditures</b>	<b>\$ 338</b>	<b>\$ 395</b>	<b>\$ 310</b>	<b>\$ 198</b>

The preceding table shows that the General Fund revenues are consistently higher than expenditures (highlighted row). This allows the District to transfer money to the System Improvement Fund annually. This transfer is the primary revenue source for that Fund.

General Fund Resources

Ninety-seven percent of District revenues are receipted in the General Fund and the majority of that is water sales revenue. The increase in water sales revenue in the table above reflects an assumed increase in the volume of water sold. Water rates were increased a year ago and are not budgeted to increase in 2017-18.

General Fund Requirements

All of the Materials and Services cost increase is in water purchases, which account for two-thirds of the M&S budget. Other General Fund expenditures include:

- System Maintenance (\$50k),
- Utilities (\$35k)
- Administration (\$48k),
- Accounting (\$50k),
- Engineering (\$40k), and
- Other Expenses (\$25k)

All of these expenditure levels are consistent with prior years’.

The 17-18 Transfer to System Improvement Fund will be \$150k. General Fund Contingency will be \$50k and Ending Fund Balance will be \$575k.

**6. Analysis of Other Funds**

This fund is decreasing by \$77k (4%) to \$1,264k. Capital Projects funding and Fund Balance will both decrease.

<b>Palatine Hill Water</b>				
<b>System Improvement Fund</b>				
(\$000)				
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Beginning Fund Balance	\$ 687	\$ 1,029	\$ 788	\$ 982
Sys Development Charges	-	43	22	22
Other Revenue	5	8	7	10
Transfers In	350	200	400	150
<b>Total Resources</b>	<b>\$ 1,042</b>	<b>\$ 1,279</b>	<b>\$ 1,217</b>	<b>\$ 1,164</b>
Total Fund Expenses	\$ 14	\$ 242	\$ 313	\$ 306
Contingency	-	-	50	50
Ending Fund Balance	1,029	1,037	854	808
<b>Total Requirements</b>	<b>\$ 1,042</b>	<b>\$ 1,279</b>	<b>\$ 1,217</b>	<b>\$ 1,164</b>

The District anticipates some new development in its boundaries, and thus some Systems Development Receipts next year. The District’s Systems Development Charge is \$11,183 for new residences. The budget anticipates two (\$22,366). The large transfer in is from the General Fund.

Next year's improvement expenditures are water main replacements and water storage system improvements. The District is operating on a pay as you go basis for these incremental projects

**7. Debt Status**

The District has no debt.

**8. Is Budget in Sync with Strategic Plan/Performance Objectives?**

Yes the budget is synchronized with the improvement plans. Water rates have been maintained at a level sufficient to fund needed improvements without issuing debt.

**9. 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?

**10. Highlights of 2017-18 Budget**

- The District's budget is decreasing by \$146k (5%) to \$2.7 million next year
- The General Fund requirements are decreasing from \$1.6 million to \$1.5 million
- Water rates were increased in May of this year, the first increase in five years and are not budgeted to increase in 2017-18.
- The District continues to budget for capital improvements from operating revenues and has set its System Development Charge to meet future system expansion needs.

**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.