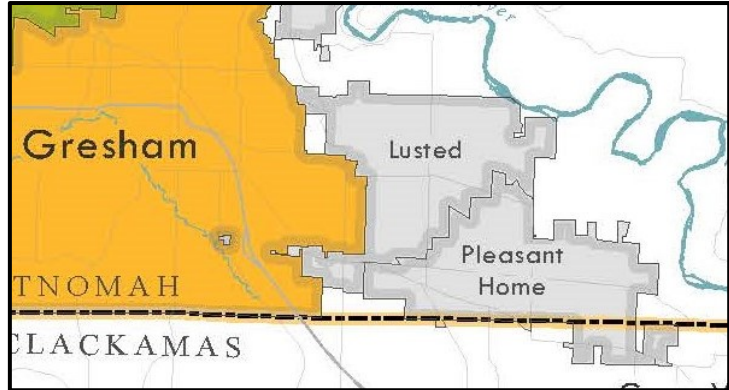


Lusted Water District TSCC Budget Review 2020-21

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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	2016-17	2017-18	2018-19	2019-20
Assessed Value in Millions	\$120.1	\$126.7	\$130.2	\$134.8
Real Market Value (M-5) in Millions	\$172.9	\$194.9	\$202.8	\$204.6
Property Tax Rate Extended:				
Operations	\$0.2423	\$0.2423	\$0.2423	\$0.2423
Debt Service	\$0.5971	\$0.5987	\$0.5722	\$0.5763
Total Property Tax Rate	\$0.8394	\$0.8410	\$0.8145	\$0.8186
Number of Employees (FTE's)	0.4	0.4	0.4	0.4

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 rated for Lusted Water District was \$.0.2423 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

The district has no specified strategic plan, but the District has a Water System Master Plan shown below. This plan has not been updated this year and has some schedule slips and cost updates. However no new CIP document has been produced yet. This plan still represents the CIP intentions of the district. They intend to develop a new master plan in FY21 which will include an updated CIP.

Capital Improvement Program Summary

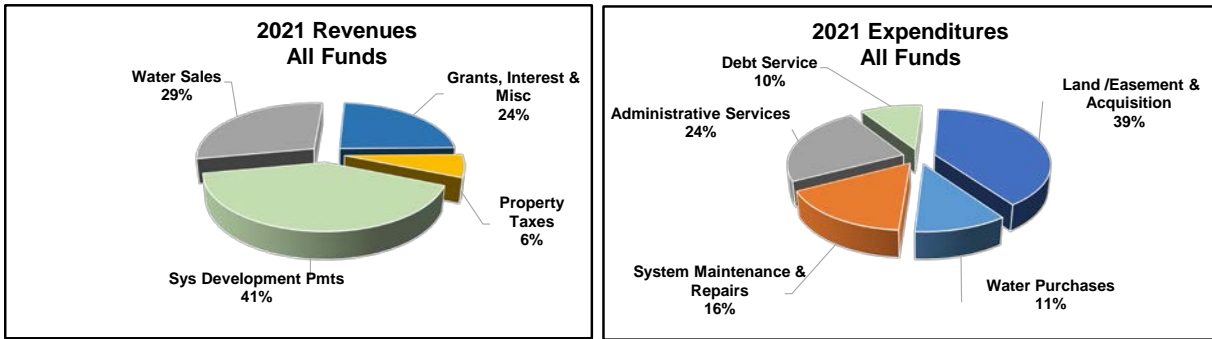
Improvement Category	Project Description	CIP Schedule and Project Cost Summary (\$000)				
		Now	Short	Medium	Long	Estimated
		2017- 20	2021-25	2026-30	2031+	Project Cost
Well #1	Design, Drilling, Testing	\$345				
	Pump & wellhead Facilities	\$350				
	Land/Easement Purchase	\$200				
Well #2	Development		\$450			
Groundwater	Subtotal	\$895	\$450	\$0	\$0	\$0
Storage Facilities	Coones Reservoir (1.5 MG) Replacement (on hold)					\$0
	Replacement of Victroy Heights Reservoir (15,000) Gallons		\$500			\$500
	Subtotal	\$0	\$500	\$0	\$0	\$0
Pumping Stations	Coones Pump Station (on hold)					
	Division Drive Pump Station	\$70	\$100			\$170
	Victory Heights Pump Station	\$80				\$80
	Subtotal	\$150	\$100	\$0	\$0	\$250
Distribution	Piping System Improvements	\$2,338	\$1,004	\$815	\$811	\$4,968
	Subtotal	\$2,338	\$1,004	\$815	\$811	\$4,968
Other	District-Wide SCADa/Controls	\$70				\$70
	ARM Meter Replacement		\$160			\$160
	DemoLusted, Triangele PS & Coones			\$150		\$150
	Subtotal	\$70	\$160	\$150	\$0	\$380
Capital Improvement Program (CIP)		\$3,453	\$2,214	\$965	\$811	\$5,598

4. Budget in Total

The budget total is \$6.3 million. This is a 15% increase over the current year budget. The beginning balance increased 42% from \$642.4K to \$912.2K. Debt proceeds increased from \$3.2 million to \$3.6 million (some debt funding is shown in both years since the district has not drawn on some of the debt proceeds showing in the current budget).

The district has 4 major projects that will carryover from FY20. Some of these projects have just started, others are expecting to start in the current year and carryover into the FY21. All projects involve improvements to the water distribution system. Funding from these projects comes from system development payments, state loans and grants and transfers from the General Fund. These projects will be discussed later in this review.

Revenue from water sales is increasing due to an increase in both the base rate charge and the usage charge.



*In the above comparison, debt proceeds (\$3.6 million) and system improvements (\$4.8 million) are not included

Land and easement acquisition are 39% of the expenditures (excluding the system improvement expenditures). The district is purchasing land for a ground water well and has budgeted for easement purchases for that project and the pipeline replacement project. Administrative Services and Water System Improvements make up the largest percentages of overall basic operating expenses, 24% and 16% respectively. Personnel Services, office rent, and commissioners' compensation, as well as expenses related to maintaining the office, are included in the Administrative Services category.

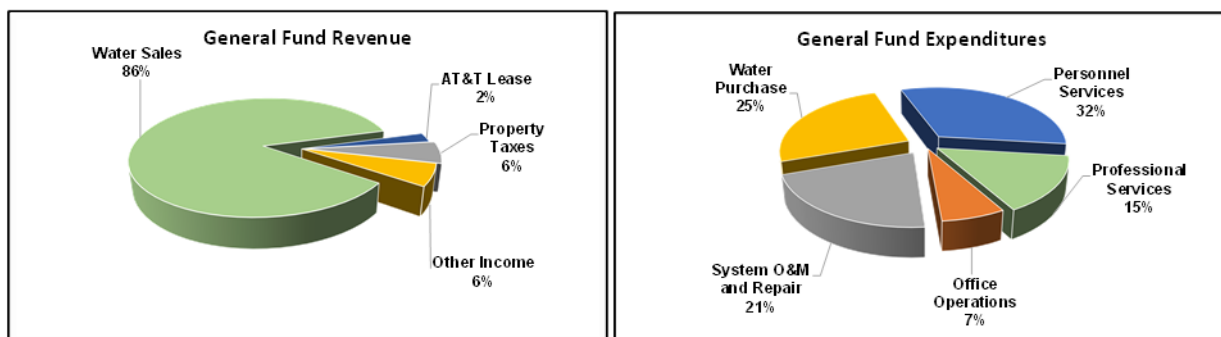
5. Analysis of the General Fund

The General Fund is used to account for all costs except specific capital projects. This fund has increased 17% to \$892.6K. This increase is a result of the carryover from projects budgeted but not completed in the current year. Operating expenditures increased from \$445K to \$523K. Accounting & bookkeeping expenditures are increasing to pay for 3 years of audit expenses and re-creating the bookkeeping system for the past 3 years. Debt service for State Loans is a new expenditure in the FY21 budget (\$25K). Transfers out increased from \$5,000 to \$50,000 to support the pipeline replacement project.

Water sales are 86% of the district's resources. This supports daily operations and the capital projects. The rates charged by the district have increased every year for a few years in order to support the upcoming projects. Current rates are:

- For customers using under 30 CCF the cost will be \$4.65 (a twenty cent increase) and for those using over 30 CCF the cost will be \$6.85 per CCF (a fifty cent increase).
- The Base rate for customers will increase \$35.00 to \$40.00 per month.

Six percent or \$32 thousand of the district's revenue comes from property taxes and they receive \$13,900 from AT&T lease agreement for the antennae installed on the Barlow tower.



The major expenditure categories are personnel services, water purchases, office operations, maintenance, and repair of the water system. The district is maintaining a contingency/fund balance of 33% of fund requirements in FY 20.

Personnel Services decreased slightly as the district uses a closer estimate of the cost for each position.

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

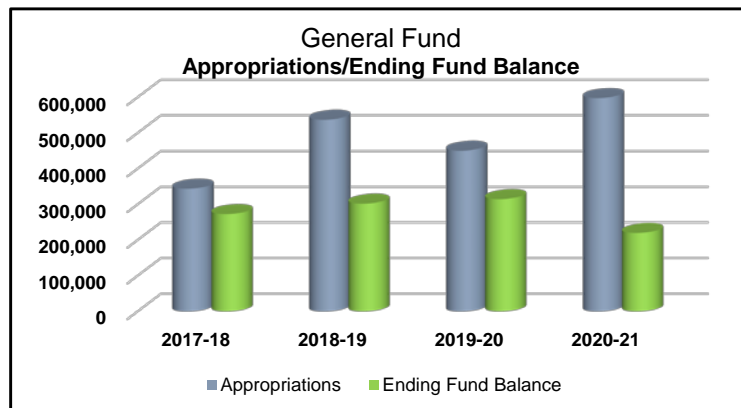
- Superintendent
- General Manager
- Meter Reader
- Utility Worker

General Fund Materials & Services expenditures include:

- Water Purchases
- System Operation, Maintenance & Repair (includes pumping & power, Regulatory compliance and water testing)
- Office Operations (office rent, utilities & insurance; billing, training, dues & fees)
- Professional Services (attorney services, audit services, election fees)
- Engineering & technical services
- Supervisory Control and Data Acquisition (SCADA) service subscription

For many years, the district has budgeted a fund balance equal to 60-70% of the annual appropriations. However in FY21 the ending fund balance decreased from \$314K to \$220K reducing that ratio to 37% due. A transfer of \$50K to the Distribution Improvement Fund is partially responsible for the reduction.

The district does have \$75K in contingency in the General Fund.



6. Analysis of Five other Funds

Lusted Water District's governing board has decided to move forward with obtaining a Ground Water Well system for their water supply. Four of the following funds record capital projects that are directly or indirectly influenced by this action. (The other one is the General Obligation Debt Service Fund which records property taxes for payment of that debt).

Three of the Capital Project funds will be receiving Oregon Business Development Department (OBDD) loans. When the state receives an invoice for project expenditures, they reimburse the district and the district pays the contractor or supplier. Sometimes this can take a longer period of time than some small contractors can comfortably wait. In an effort to circumvent that, the district is transferring "working" funds to the Distribution Improvement Fund to use until the payment is received.

Special Funds ~ Requirements				
(\$ Thousands)				
	2017-18	2018-19	2021-20	2020-21
Water System Improvement Fund	134	351	726	715
Distribution Improvement Project Fund	0	0	2,605	3,163
Groundwater Supply Project Fund	0	0	310	520
Barlow High School Fire Flow Improvement Fund	0	0	925	865
General Obligation Debt Service Fund	90	94	89	91
Total Non-General Fund Requirements	224	445	4,655	5,354

- 1) The **Barlow High School Fire Flow Improvement Project Fund** was developed when Barlow High School District was remodeled and were required to increase the flow capacity for fire protection. The school district has contracted with Lusted Water to upgrade the station and accomplish increased flow. At the same time the City of Gresham offered the district a 30-year-old pump station the City had barely used and no longer needed and existing reservoir. The Powell Valley road location of this station and reservoir is close to the site for the ground water well. Design work is underway and the district anticipates receiving \$675K in the FY21 to move forward with the project. The payment is expected to cover engineering, facility upgrades and infrastructure improvements to complete the project.

- 2) The **Water System Improvement Fund** is supported by debt proceeds from the OBDD loan (\$285K) and grant (\$60K), transfers from the General Fund, as well as revenue from new service construction reimbursements. With very little activity in the current year, carry over to the beginning fund balance is budgeted at \$360K. The primary activity in this fund is purchase, clean-up and property easement for the new ground water well. The property has been purchased and the district is waiting for the final contract papers to arrive. Due to the COVID-19 pandemic, receiving the contract documents and reimbursement payments from the state takes a little longer. The expenditure is recorded in both the FY20 and FY21 since they are expecting this to be finalized any day. The purchase price including cleanup is budgeted at \$345K. This fund also includes pump station improvements and renovations the 30-year old station mentioned above; Coons Pump Station flow path modification; and easements for the pipeline replacement project.

- 3) The **Distribution Improvement Project Fund** is financed by a \$2.8 million OBDD loan, a state grant (\$280K) and a \$50K transfer from the General Fund. This will be used for the replacement of over three miles of severely corroded pipe. The district is ready to send this out for bids. The cost of the entire project is included in the FY21 budget even though it may carry into FY22. Engineers and other contractors are hired to manage this project to ensure all promises made to the State of Oregon are followed closely (\$305K). Expenditures are paid by the state as they are incurred. The district transfers \$50K to this fund in order to pay small contractors immediately so they do not have to wait for the reimbursement from the state. Water system infrastructure improvements are budgeted at \$2.8 million and land easements are estimated at \$30K. They maintain a \$55K contingency. This project will reduce the cost of repairs for leaking pipes.

- 4) The **Groundwater Supply Project Fund** is supported entirely by OBDD loan proceeds. These funds will be used for engineering support and the development of a groundwater well. With the probability of the City of Portland increasing the water purchase rates, the district is anticipating substantial savings in the future and system stability.
- 5) 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 tenth year the district will collect property taxes to pay for this bonded debt. Principal and interest payments total \$78,160 due in FY21 (August 2020 \$14,080 and February 2020 \$64,080).

With an interest payment of \$12,980 due in August 2021, the district budgets that amount as ending fund balance so the funds are available the following year when the payment is due.

Lusted Water	6-30-17	6-30-18	6-30-19	6-30-20 est.
Debt Outstanding	\$730,000	\$690,000	\$650,000	\$605,000

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 prepares to transition away from using Portland Water Bureau as a source of water.

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)?

**** The district has not been able to get their audit completed. They are currently working with their new accountant to complete 3 years' audits. The budget does not include actual audited expenditures for FY 18 or FY19.**

Highlights of the 2020-21 Budget to be published in TSCC Annual Report:

- The total budget increased 15% from \$5.4 million to \$6.3 million. This has to do with under spending during the current year increasing the current beginning fund balance, and the additional debt proceeds (\$+438K) budgeted for capital projects.
- The General Fund expenditures in the FY21 increased from \$445 thousand to \$578 thousand or 17%. The Ending fund balance in the General Fund decreased \$95 thousand to \$220 thousand.
- The new charge for base rates in FY21 will go from to \$35 to \$40 a month.

- The two-tier rate structure will increase for customers using less than 30 CCF paying \$4.645 (+\$0.20) and those using more than 30 CCF paying \$6.55 per CCF (+\$.50).
- The District is budgeting \$4.6 million for Capital Expenses (\$445 thousand for property for the groundwater well development and \$520 thousand for the development of the well; \$3.2 million for infrastructure improvements including replacement of over 3 miles of corroded pipe; and \$865 thousand to increase flow capacity for fire protection at the Gresham Barlow School District).

Local Budget Law Compliance:

The 2020-21 Approved Budget was filed timely, under an extension, on May 18, 2020. The budget provided did not conform to local budget law as the prior year audited actual expenditures were not included as required by statute.

ORS 294.358 Expenditure and resource estimate sheets; made part of budget document

(1) The sheet or sheets containing the estimate of expenditures shall also show in parallel columns the actual expenditures for the two fiscal years next preceding the current year.

The Commission appreciates the district's position regarding past and current audit and the difficulties of rebuilding two years of lost accounting records. The Commission also appreciates the regular progress reports on its efforts to correct this situation that the district has provided the Commission.

Nevertheless, the Commission has to again emphasize the seriousness of the situation.

ORS 294.338 Compliance with Local Budget Law required prior to expenditure or tax certification

(1) A municipal corporation may not expend money or certify to the assessor an ad valorem tax rate or estimated amount of ad valorem taxes to be imposed in any year unless the municipal corporation has complied with ORS 294.305 (Sections constituting Local Budget Law) to 294.565 (Failure to file copy of required budget, reports or other documents).

The Commission recommends that the district resolve the accounting and auditing situation expeditiously.

Lusted Water District

Annual Report

	2017-18 Actual	2018-19 Actual	2019-20 Rev. Budget	2020-21 Apv. Budget	Budget % Change
SUMMARY OF ALL FUNDS					
Property Tax Breakdown:					
Permanent Rate Property Taxes	29,235	28,985	30,600	32,100	5%
GO Debt Property Taxes	73,140	74,512	74,150	73,900	0%
Prior Years Property Taxes	600	0	600	600	0%
Total Property Taxes	102,975	103,497	105,350	106,600	1%
Resources:					
Beginning Fund Balance	317,720	482,360	642,370	912,240	42%
Property Taxes	102,975	103,497	105,350	106,600	1%
Fees and Charges	0	0	925,000	675,000	-27%
Utilities	389,800	442,086	445,000	479,000	8%
Other Income	29,884	25,906	102,624	390,900	281%
Debt Proceeds	0	0	3,195,000	3,633,000	14%
Transfers In	0	230,000	5,000	50,000	900%
TOTAL RESOURCES	840,379	1,283,849	5,420,344	6,246,740	15%
Requirements by Function:					
Facilities Acquisition and Construction	0	0	200,000	400,000	100%
Community Development	0	0	485,000	485,000	0%
Public Utilities Water System	427,334	341,479	4,245,304	4,735,770	12%
Debt Service	74,140	72,140	75,140	103,160	37%
Transfers Out	0	230,000	5,000	50,000	900%
Contingencies	0	0	0	205,000	0%
Ending Fund Balance	338,905	640,230	409,900	267,810	-35%
TOTAL REQUIREMENTS	840,379	1,283,849	5,420,344	6,246,740	15%
Requirements by Object:					
Personnel Services	88,400	88,712	144,760	141,000	-3%
Materials & Services	262,284	218,373	790,544	841,770	6%
Capital Outlay	56,650	34,394	3,995,000	4,638,000	16%
Debt Service	74,140	72,140	75,140	103,160	37%
Fund Transfers	0	230,000	5,000	50,000	900%
Contingencies	20,000	0	0	205,000	0%
Ending Fund Balance	338,905	640,230	409,900	267,810	-35%
TOTAL REQUIREMENTS	840,379	1,283,849	5,420,344	6,246,740	15%
SUMMARY OF BUDGET - BY FUND					
General Fund	616,519	839,098	765,024	892,600	17%
General Obligation Debt Service Fund	90,210	93,989	89,220	91,140	2%
Water System Improvement Fund	133,650	350,762	726,100	715,000	-2%
2018 Distribution Improvement Project	0	0	2,605,000	3,163,000	21%
Groundwater Supply Project	0	0	310,000	520,000	68%
Barlow High Fire Flow Improvement Project	0	0	925,000	865,000	-6%
GRAND TOTAL ALL FUNDS	840,379	1,283,849	5,420,344	6,246,740	15%
DETAIL OF GENERAL FUND					
Resources:					
Beginning Fund Balance	168,400	346,448	260,000	340,000	31%
Property Tax	29,835	28,985	31,200	32,700	5%
Utilities	388,800	442,086	435,000	474,000	9%
Other Income	29,484	21,579	38,824	45,900	18%
TOTAL FUND RESOURCES	616,519	839,098	765,024	892,600	17%
Requirements:					
Public Utilities Water System	343,684	307,084	445,304	522,770	17%
Debt Service	0	0	0	25,000	0%
Transfers Out	0	230,000	5,000	50,000	900%
Contingencies	0	0	0	75,000	0%
Ending Fund Balance	272,835	302,014	314,720	219,830	-30%
TOTAL FUND REQUIREMENTS	616,519	839,098	765,024	892,600	17%
DETAIL OF GENERAL OBLIGATION DEBT SERVICE FUND					
Resources:					
Beginning Fund Balance	17,070	19,477	15,070	17,240	14%
GO Debt Property Taxes	73,140	74,512	74,150	73,900	0%
TOTAL FUND RESOURCES	90,210	93,989	89,220	91,140	2%
Requirements:					
Debt Service	74,140	72,140	75,140	78,160	4%
Ending Fund Balance	16,070	21,849	14,080	12,980	-8%
TOTAL FUND REQUIREMENTS	90,210	93,989	89,220	91,140	2%
BALANCE SHEET AS OF JUNE 30 EACH YEAR					
	2017-18	2018-19			
Assets:	Data Unavailable				
TOTAL ASSETS	0	0			
Liabilities and Equity:	Data Unavailable				
TOTAL LIABILITIES AND EQUITY	0	0			