

# TSSC Budget Review 2020-21

## Valley View Water

### 1. Introduction to the District

Valley View Water District serves a four square mile residential area in Southwest Multnomah County. The District is nestled between the City of Portland and Washington County.

The Valley View Water District is a water storage and distribution district. It is governed by five uncompensated board members elected to four-year terms.



- The District serves 384 water customers and 27 customers of the City of Portland’s Water Bureau that are connected to the District’s distribution system.
- The District purchases its water from the City of Portland under a 20-year contract that originated in 2007.
- Day-to-day operational services are provided by Hiland Water Corporation under a 5 year contract begun in July 2019.
- The reservoir and much of the water distribution lines have been recently upgraded.

Valley View Water	2016-17	2017-18	2018-19	2019-20
Assessed Value in Millions	\$208.6	\$216.1	\$224.1	\$232.0
Real Market Value (M-5) in Millions	\$307.7	\$354.1	\$368.2	\$360.8
Property Tax Rate Extended:				
Operations	\$1.0546	\$1.6243	\$1.6423	\$1.5733
Measure 5 Loss	\$0	\$0	\$0	\$0

### History

Valley View Water District originally provided fire service and water service to its customers. In 1995, the Board authorized the annexation of the District into the Tualatin Valley Fire and Rescue District and now only provides water service.

The District has a history of well-managed finances and infrastructure upgrades. It has balanced the use of its three revenue sources: water rate revenues, debt proceeds, and property taxes.

Historically the district has levied a dollar amount of property taxes rather than its full rate. In 2017-18 it changed that practice and levied the full rate (\$1.7389 per \$1,000 Assessed Value). This generated 50% more tax revenue for the district. In the current year the district levied a dollar amount very close to what the full rate levied would produce; they will do the same in FY21.

Based on a 2000 system master plan, the District completed four capital improvement projects in the 2003-04, 2008-09, 2011-12, and 2014-15 fiscal years. The first three projects were main water line rehabilitations or replacements/ upsizing, and the most recent project was rehabilitation of the District's storage reservoir. The District uses debt financing and reserve draw-down for these projects.

## **2. Strategic Plan/Performance Objectives**

The district has a well-developed infrastructure upgrade planning process, but that has been interrupted by a more immediate concern the last two years: a landslide threatened a water main and the district completed the landslide mitigation project this year at a cost of \$195K, much lower than the \$350K budget.

With that project completed and previously completed major line replacements, the District's next goal is to replace its secondary distribution lines. These are 4" and 6" lines that need to be upsized to meet current fire flow standards. The District plans to pay-as-you-go for the majority of these lines, with some use of debt as needed. This will occur in the next ten to 12 year period.

The District's second objective is to partially fund replacement of the water reservoir in event of earthquake damage. Its goal is to reserve \$750,000 to \$1 million to ensure that funding will be available should its water reservoir be damaged.

The 2018 update of the district's Master Plan was delayed until the completion of a renovation and repair projects. The FY21 budget includes \$50K earmarked for planning and engineering of the Master Plan. They anticipate completion in the fall of 2021.

## **3. Budget in Total**

The District's 2020-21 budget is \$1.9 million, an increase of 9% or \$162K from this year. This is due mainly to an increase in Capital Expenditures. The district is not expecting to expend the majority of this but is using it as a place hold for upcoming projects.

This budget includes a projected \$32K decrease in the cost of water purchased from the City of Portland. This is after years of increase and the district is anticipating only

a temporary reduction in rates charged by the City. These rates are based on the CCF guaranteed minimum volume of 79.055 CCF purchased by the district and the decrease in rate from \$2.605 CCF to \$2.246 CCF.

After years of using Tualatin Valley Water District for daily management of operations, the district moved to Hiland Water Corporation in the current year. The terms of the contract are quite similar and will run through FY25. The cost of their services is \$4,500 a month for FY21. The district has reported that the transition has gone quite smoothly.

<b>Valley View Water District</b>				
<b>Total Requirements, All Funds (\$000)</b>				
	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
	<b>Actual</b>	<b>Actual</b>	<b>Rev. Bud</b>	<b>Apr. Bud</b>
Materials and Services	469	490	364	378
Capital Outlay	29	21	562	763
Debt Service	158	158	158	158
Total Expenses	\$ 656	\$ 669	\$ 1,084	\$ 1,299
Contingencies	-	-	675	625
Ending Fund Balance	1,019	1,120	12	8
<b>Total Requirements</b>	<b>\$ 1,675</b>	<b>\$ 1,789</b>	<b>\$ 1,771</b>	<b>\$ 1,932</b>

The district has no Personnel Services costs. It contracts out administration and accounting functions to the Board Chair. This is duly noted as a related party transaction in the annual audit. As noted earlier, water billing and operations functions are contracted out to Hiland Water Corporation.

The district balances the costs of operating, maintaining, and upgrading its system between current and future customers. Current system customers pay for:

- System operation and the cost of water (via water rates). The district keeps that revenue and those expenditures balanced (see graph below).
- Debt service on past system improvements (via property taxes earmarked for debt service).
- Smaller capital improvement projects (via earmarked property taxes).
- Future capital projects (any surplus revenue is added to fund balance).

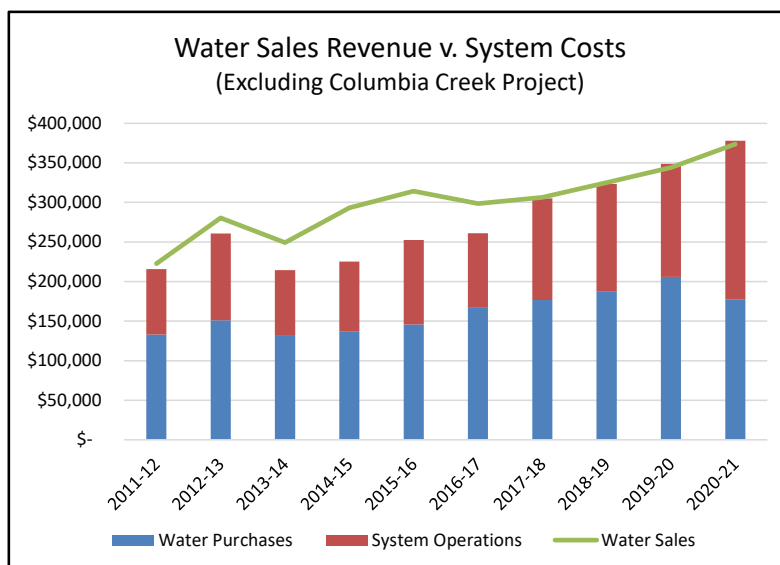
The use of debt financing assures that future customers will pay their share of today's improvements (see section 7 below).

## Analysis of General Fund

The District has only two funds. The General Fund is not significantly different from the information above on all funds. The following chart summarizes the General Fund financial trends.

Valley View Water District General Fund Summary (\$000)								
	2017-18		2018-19		2019-20		2020-21	
	<u>Actual</u>		<u>Actual</u>		<u>Rev. Bud</u>		<u>Apr. Bud</u>	
Beginning Fund Balance	\$	882	\$	931	\$	947	\$	1,038
Revenues		704		760		711		780
Expenditures		656		670		972		1,186
Contingency		0		0		675		625
<b>Ending Fund Balance</b>	<b>\$</b>	<b>931</b>	<b>\$</b>	<b>1,021</b>	<b>\$</b>	<b>12</b>	<b>\$</b>	<b>8</b>

Historically, property taxes and water sales account for 97% of General Fund revenues. The district has set its water rates to cover operating costs and its property tax rate to cover debt service<sup>1</sup> and some capital costs. Any resulting surplus goes to fund balance. The district uses fund balance drawdowns to pay for projects.



The chart to the right shows how the district matches rate revenues to system costs.

The District purchases its water from the City of Portland. The City usually raises the cost of water annually and for the most part, Valley View has absorbed these increases with smaller increases in its rates. Even though the City of Portland will be reducing the rate charged for purchased water in FY21, the district's customers will see a 10% increase in their rates to compensate for Valley View Water's contractual obligations and inflationary increases in expenditures. This will also help defer a portion of cost of updating the Master Plan.

<sup>1</sup> The district's loans are full faith and credit loans from the state. They are not general obligation debt. But the district uses its permanent levy taxes to pay the debt service.

Portland is decreasing Valley View's cost of water by 13.9% in 2020-21.

Purchased Water Annual Rate Increases	
2011-12	12.3%
2012-13	13.3%
2013-14	-12.8%
2014-15	4.1%
2015-16	6.6%
2016-17	14.5%
2017-18	6.0%
2018-19	6.7%
2019-20	10.1%
2020-21	-13.9%

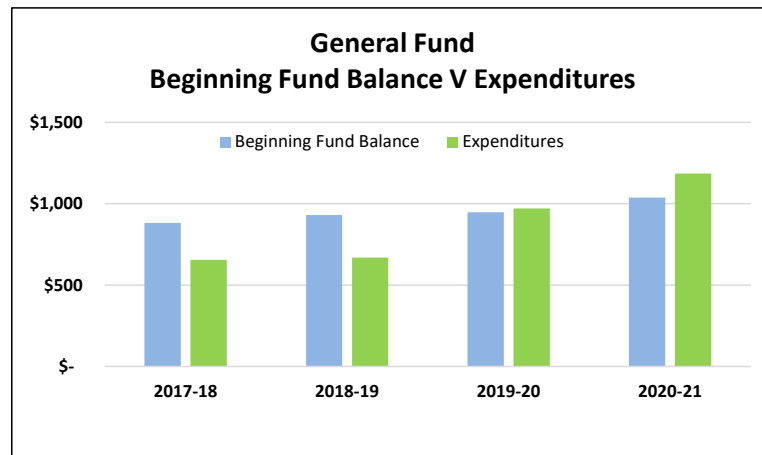
The chart to the right shows the history Portland Water Bureau (PRB) wholesale water rate increases/decreases. While the PRB is reducing rates for the 2021 fiscal year after several years of measurable increase over the past 6 years it is projecting significant increases in fiscal years 2022 through 2025 years as the Washington Park storage facilities comes on line.

The 2017-18 budget included two revenue increases to help offset the costs of the landslide mitigation project: a \$250,000 contribution from the property owner and a \$120,000 increase in property taxes. The latter increase was created by levying the full property tax levy of \$1.7389 per \$1,000 Assessed Value. The District has gone back to levying a dollar amount. However, they are levying an amount much closer to what the maximum rate would yield if they were to levy that amount. A portion of the tax revenue will replenish reserves used on the landslide project and help meet debt obligations.

Historically, the district has maintained a fund balance in excess of operating

Valley View Water District General Fund Beginning Fund Balance (000)					
	2017-18		2018-19	2019-20	2020-21
	Actual		Actual	Rev. Bud	Apr. Bud
Beginning Fund Balance	\$ 882	\$	931	\$ 947	\$ 1,038
Percent of Gen Fund Exp:	134%		139%	97%	88%

expenditures. The fund balance to expenditure ratio fell below 100% in the current year and will remain below the fund balance in FY21, because of an increased reserved for capital expenditures.



The General Fund's fund balance is unreserved (there are no third party or statutory restrictions on it) but the district has informally reserved it for a future reservoir replacement project.

**4. Analysis of Other Funds**

The only other fund is a Systems Development Fund, which has \$113,950 budgeted for 2020-21. The fund tracks receipt of systems development fees, which fund system improvements. No projects have been expensed in this fund for the last three years.

**5. Debt Status**

The District has three long-term loans from the State of Oregon. The original issue total is \$2.2 million. Annual debt service (P&I) is \$158K. The loans are staggered to end in 2022, 2030, and 2032. The proceeds of the debt were used to fund water system replacement and improvement projects between 2003 and 2011. The three loans have true interest costs of 3.38%, 4.11%, and 4.36%. Annual Debt Service costs are consistent to the term of each loan.

Valley View Water	6-30-17	6-30-18	6-30-19	6-30-20 est.
Debt Outstanding	\$ 1,336,376	\$ 1,328,143	\$1,229 190	\$1,126,212
Debt Service Payments	\$ 157,786	\$ 157,786	\$ 157,786	\$157,787

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

By completing major system upgrades over the last decade and a half, the District has achieved its goals. In so doing, it has kept its budget balanced while building a reserve for future improvements (the reservoir replacement project).

The district has also completing the Columbia Creek landslide mitigation project.

**7. Budget Law Compliance**

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

**8. Highlights of 2020-21 Budget**

- The District's 2020-21 budget is \$1.9 million, an increase of \$162K.
- In order to replenish reserves and meet debt obligations, the district will levying \$400,000 in 2020-21.

- Water rates are maintained at a level to cover cost of water and system operations and will require an increase of 10% in the 2020-21 budget.
- The district will begin the process of updating the Master Plan and have set aside \$50K for toward that mission.

**Local Budget Law Compliance:**

The 2020-21 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 ending June 30, 2019 19 notes no instances of non-compliance.

**Certification Letter Recommendation:**

TSCC staff did not find any deficiencies in the district's FY 2020-21 budget or budget process and will recommend the Certification Letter contain no recommendations or objections.

# Valley View Water District

## Annual Report

	2017-18 Actual	2018-19 Actual	2019-20 Rev. Budget	2020-21 Apv. Budget	Budget % Change
<b>SUMMARY OF ALL FUNDS</b>					
<b>Property Tax Breakdown:</b>					
Permanent Rate Property Taxes	331,588	351,536	345,290	378,400	10%
Prior Years Property Taxes	2,996	9,139	4,000	4,000	0%
<b>Total Property Taxes</b>	<b>334,584</b>	<b>360,675</b>	<b>349,290</b>	<b>382,400</b>	<b>9%</b>
<b>Resources:</b>					
Beginning Fund Balance	968,953	1,019,031	1,045,277	1,138,029	9%
Property Taxes	334,584	360,675	349,290	382,400	9%
Fees and Charges	0	8,018	12,000	12,000	0%
Utilities	353,902	376,200	344,215	373,825	9%
Other Income	17,401	25,121	19,750	26,250	33%
<b>TOTAL RESOURCES</b>	<b>1,674,840</b>	<b>1,789,045</b>	<b>1,770,532</b>	<b>1,932,504</b>	<b>9%</b>
<b>Requirements by Function:</b>					
Public Utilities Water System	498,008	511,735	925,881	1,141,094	23%
Debt Service	157,801	157,785	157,787	157,787	0%
Contingencies	0	0	675,000	625,000	-7%
Ending Fund Balance	1,019,031	1,119,525	11,864	8,623	-27%
<b>TOTAL REQUIREMENTS</b>	<b>1,674,840</b>	<b>1,789,045</b>	<b>1,770,532</b>	<b>1,932,504</b>	<b>9%</b>
<b>Requirements by Object:</b>					
Materials & Services	468,770	490,466	363,881	378,094	4%
Capital Outlay	29,238	21,267	562,000	763,000	36%
Debt Service	157,801	157,787	157,787	157,787	0%
Contingencies	0	0	675,000	625,000	-7%
Ending Fund Balance	1,019,031	1,119,525	11,864	8,623	-27%
<b>TOTAL REQUIREMENTS</b>	<b>1,674,840</b>	<b>1,789,045</b>	<b>1,770,532</b>	<b>1,932,504</b>	<b>9%</b>
<b>SUMMARY OF BUDGET - BY FUND</b>					
General Fund	1,586,792	1,690,515	1,658,132	1,818,554	10%
System Development Charge Fund	88,048	98,530	112,400	113,950	1%
<b>GRAND TOTAL ALL FUNDS</b>	<b>1,674,840</b>	<b>1,789,045</b>	<b>1,770,532</b>	<b>1,932,504</b>	<b>9%</b>
<b>DETAIL OF GENERAL FUND</b>					
<b>Resources:</b>					
Beginning Fund Balance	882,428	930,983	946,877	1,038,079	10%
Property Tax	334,584	360,675	349,290	382,400	9%
Utilities	353,902	376,200	344,215	373,825	9%
Other Income	15,878	22,657	17,750	24,250	37%
<b>TOTAL FUND RESOURCES</b>	<b>1,586,792</b>	<b>1,690,515</b>	<b>1,658,132</b>	<b>1,818,554</b>	<b>10%</b>
<b>Requirements:</b>					
Public Utilities Water System	498,008	511,735	813,881	1,028,094	26%
Debt Service	157,801	157,785	157,787	157,787	0%
Contingencies	0	0	675,000	625,000	-7%
Ending Fund Balance	930,983	1,020,995	11,464	7,673	-33%
<b>TOTAL FUND REQUIREMENTS</b>	<b>1,586,792</b>	<b>1,690,515</b>	<b>1,658,132</b>	<b>1,818,554</b>	<b>10%</b>
<b>BALANCE SHEET AS OF JUNE 30 EACH YEAR</b>					
	<b>2017-18</b>	<b>2018-19</b>			
<b>Assets:</b>					
Cash & Investments	1,069,363	1,088,051			
Receivables	86,268	86,020			
Fixed Assets	2,035,285	1,981,462			
<b>TOTAL ASSETS</b>	<b>3,190,916</b>	<b>3,155,533</b>			
<b>Liabilities and Equity:</b>					
Liabilities	1,490,128	1,308,330			
Equity	1,700,788	1,847,203			
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,190,916</b>	<b>3,155,533</b>			