

Budget Review 2024-25

Burlington Water District

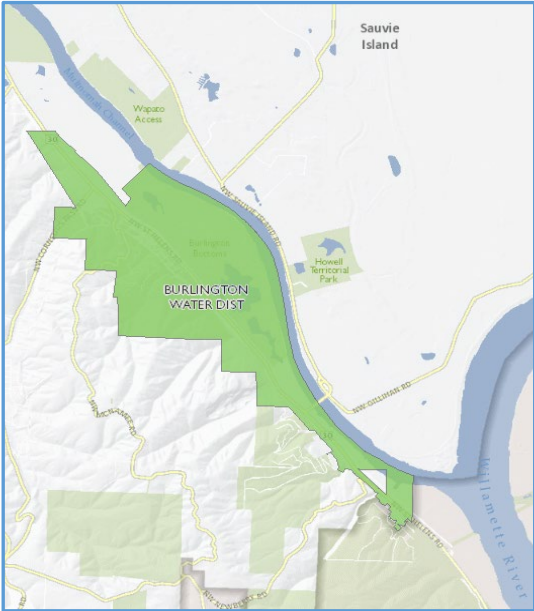


HIGHLIGHTS

- The total FY 2024-25 approved budget is \$936,000, a decrease of \$539,988 or 37% compared to the current year's revised budget.
 - The current year's budget included both grants and loan proceeds.
 - Two large capital projects were completed in the current year, reducing capital expenditures from \$682,425 to \$50,000 in the FY25 budget.
- Burlington Water District customers' water rates and monthly fees will increase.
 - The cost of water from the Portland Water Bureau is projected to increase substantially over the next ten years.
 - To meet the Guaranteed Minimum Purchase (GPM), the amount charged to Burlington Water District is \$1.390 per ccf.
 - The usage rate charged to customers will increase by \$ 0.11 per ccf in FY25 to bridge the gap for GPM.
- The district will allocate \$355,784 in contingency.
 - The district does not budget for an ending fund balance, instead they hold the funds in contingency. The board members want the money available if needed for repairs or emergencies.

INTRODUCTION & BACKGROUND

Burlington Water District provides water and fire service to an unincorporated area of about two square miles, encompassing a mix of residential, commercial, and light industrial land uses. It is a small district northwest of Portland on State Highway 30. Sandwiched between Sauvie Island and Forest Park, its southern boundary is the community of Linnton. The district serves about 113 customers.



The district is governed by five board members elected to four-year terms and serving 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 to its customers through its system. The district's 10-year water purchase agreement with the city expires in 2026. The agreement provides for annual rate increases. The district contracts with the City of Portland for fire services for its residents.

Burlington Water	2020-21	2021-22	2022-23	2023-24
Assessed Value in Millions	\$42.8	\$43.5	\$46.5	\$51.5
Real Market Value (M-5) in Millions	\$79.6	\$83.0	\$95.0	\$97.7
Property Tax Rate Extended: Operations	\$3.4269	\$3.4269	\$3.4269	\$3.4269

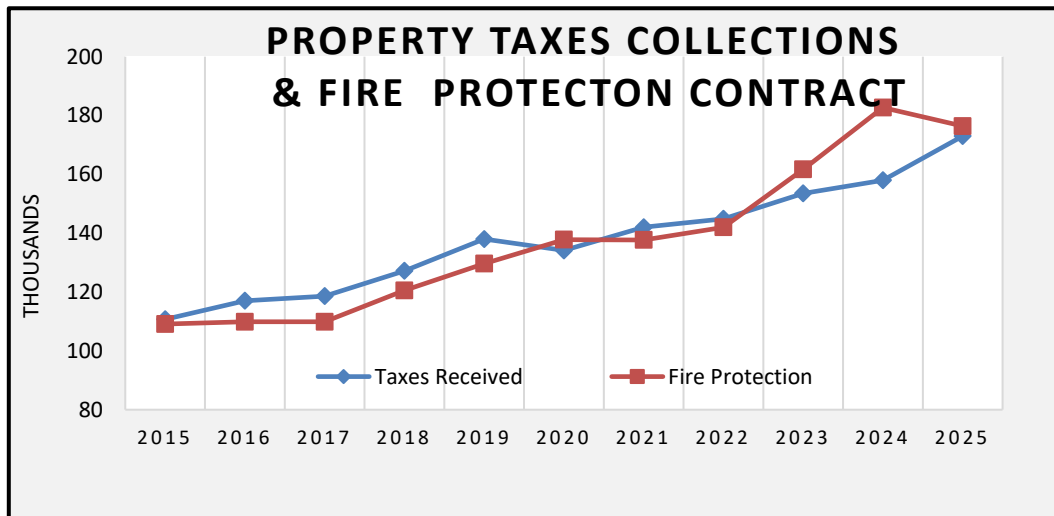
BUDGET OVERVIEW

The total FY 25 budget is \$936,000. The amount is 37% below the 2024 fiscal year's revised budget and is 2% less than the actual budget for fiscal year 2023. The main reason is that the district completed the NW Riverview Drive Water Main Improvement Project and the meter replacement project in the current fiscal year. So, the expenditure for Capital Outlay went from \$682,425 in the current year to \$50,000 in FY25.

Burlington Water District uses property tax revenue to pay for fire protection contracted through the City of Portland. For water service provision, they use utility revenue for day-to-day expenditures and some capital projects. They rely on grants and loan proceeds for the more expensive capital expenditures.

The cost of fire protection for FY25 is still being negotiated with the City of Portland, and is based on a formula that considers the actual cost of providing fire services to Portland residents and then applying it on a per capita basis to the number of Burlington Water district residents. The budgeted cost for the current year (FY 2023-24) fire services is a conservative estimate, and the district believes it will likely be lower. They estimate FY25 at a cost of \$176,391, which may also be higher than the final contract amount.

The Burlington Water District board is tracking the taxes collected and the cost of fire protection for the district to ensure only tax dollars are spent on providing this service. It has only been the last couple of years that the taxes collected did not exceed the cost of fire protection. The chart below shows how property tax revenue aligns with fire protection expenditures. The numbers in this chart are actual tax collections and contract expenditures for FY 2015 through FY 2023. The FY 2024 and 2025 are budgeted numbers and are still being negotiated, so these are estimates and are likely to change.



GENERAL FUND OVERVIEW

Burlington Water District records all activities in one fund, the General Fund. Utility revenue is the largest resource and is used for daily operations and supporting the capital projects needed to keep the system in working order. Property taxes are also recorded in the General Fund and are the only support for the Fire Protection Contract. If the taxes do not keep pace with the rise in the cost of fire protection, the district will need to explore options for funding this service. The district's governing board has discussed seeking voter approval for a local option levy. That is not necessary now but a possibility in the future.

In FY 2024-25, revenue from water sales increases by 3% to \$320,000 due to the increase in both water rates and monthly fees charged to customers. Monthly fees will increase by \$6.00 to a total of \$80.18 for customers within the district and to \$98.71 for those out-of-district.

In 2016, Burlington Water District entered into a ten-year contract with the City of Portland, which included a guaranteed minimum purchase (GPM) higher than the amount of water they sell. The water rates charged to customers will increase by \$0.11 this year, helping bridge the gap between the GPM and the amount of water actually purchased by the district. The district knows the City of Portland will be increasing water costs to meet their add-on infrastructure and projected water filtration costs. The district hopes to gradually increase the cost of water to their customers and keep up with the cost increases for purchasing water from Portland. They want to prevent having an enormous surge all at once. They will enter a new contract with the city in 2026 and are working to eliminate the GPM, so they are charged only for the amount of water purchased. The chart below shows how water usage rates have increased.

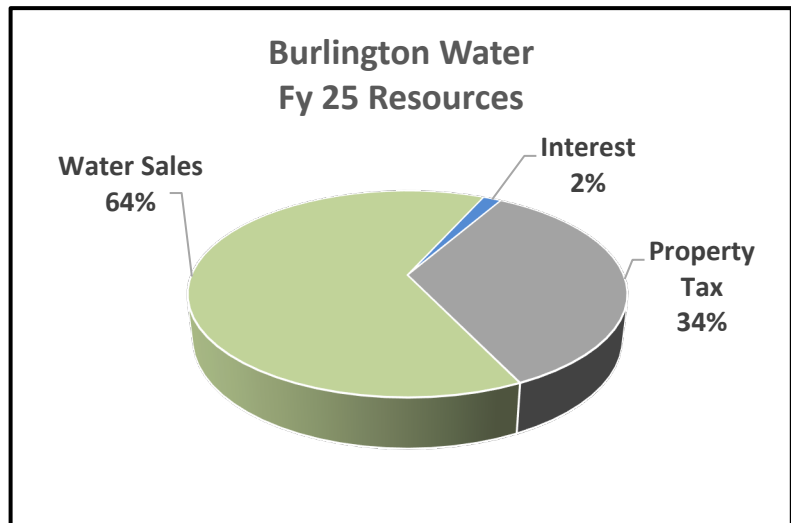
Burlington Water District						
Customers' Water Rates (Per CCF)						
	FY20	FY22	FY24	FY25	Current Water Rate	
					\$ Increase	% Increase
Inside District Boundaries						
500	\$7.52	\$9.70	\$9.88	\$9.99	\$0.11	1.11%
501-1000	\$9.35	\$11.56	\$11.74	\$11.85	\$0.11	0.94%
1001-2000	\$11.31	\$13.98	\$14.16	\$14.27	\$0.11	0.78%
2001-3000	\$13.73	\$15.89	\$16.07	\$16.18	\$0.11	0.68%
over 3000	\$17.00	\$17.25	\$17.43	\$17.54	\$0.11	0.63%
Outside District Boundaries						
500	\$8.09	\$10.13	10.31	\$10.42	\$0.11	1.07%
501-1000	\$9.88	\$11.94	12.12	\$12.23	\$0.11	0.91%
1001-2000	\$11.69	\$14.15	14.33	\$14.44	\$0.11	0.77%
2001-3000	\$13.90	\$16.03	16.21	\$16.32	\$0.11	0.68%
over 3000	\$17.52	\$17.77	17.95	\$18.06	\$0.11	0.61%

The monthly fee and water rate increase follows the original plan from the Oregon Association of Water Utilities rate study updated for the district in 2021.

RESOURCES

As discussed above, water sales of \$320,000 are the district's largest source of revenue for FY 25, followed by property tax revenue, which is budgeted at \$173,000. Interest earned (\$8,000) is the only other income in the budgeted revenue.

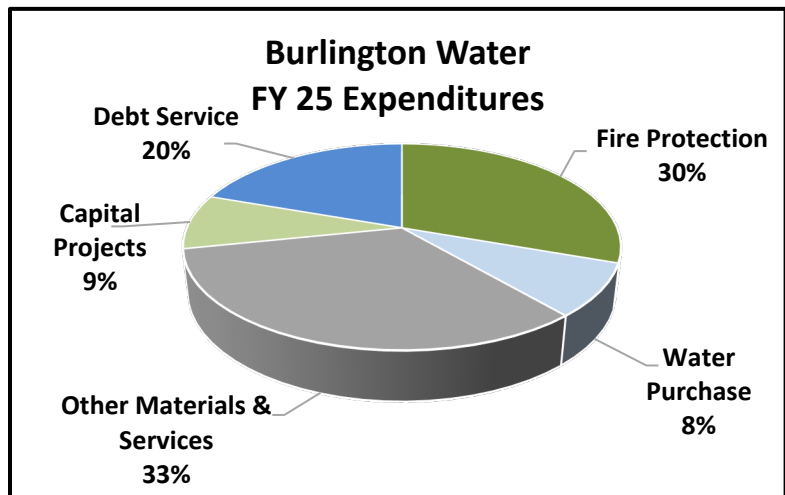
The district is anticipating a carryover of \$435,000 into the fiscal year 2025, consistent with previous years' beginning fund balance and bringing the total resources to \$936,000.



REQUIREMENTS

Personnel Services

Burlington Water District has no employees and therefore no personnel services costs. The board has transitioned all operations and management to a private water company. They also engage an accountant to maintain the district's financial accounting system, prepare the annual budget, and perform office management duties.



Materials & Services

Materials & services spending will remain relatively flat, increasing less than a percent to **\$416,291**. Five line items are responsible for 84% of the total materials & services expenditures. The largest is for the fire protection contract (\$176k), followed by water purchases (\$48K), operations management fees (\$46K), and engineering (\$39.5K) to be used for the preparation of the Master Plan. The remaining line items are all under \$25K, and most are under \$5K.

Capital Expenditures

The district has set aside **\$50,000** for capital expenditures. With the completion of the Meter Replacement project and the Riverview Drive Improvement project in the current year, the

district has no big projects scheduled for FY25. Still, they want to have money available for pipe replacement or any other emergency repairs.

Debt service totals **\$113,925**, see next section.

Contingency and Ending Fund Balance

The district budget is **\$355,784** in contingency and does not carry an ending fund balance. They want the money available if they need it for repairs during the budget year.

These expenditures and contingencies result in a total requirement of \$936,000, which balances with the resources.

DEBT STATUS

The district received two low-interest loans on a disbursement basis in FY24. The loan amounts were \$270,000 and \$75,000 for capital projects. The amount owing and the amortization payments were unknown at the time of budget approval. The district estimates the FY25 payment for this loan at \$45,000, and they assume this amount will be more than enough to meet the obligation. In addition to these two new loans, Burlington Water District has two other Oregon Infrastructure Financing loans. The total debt service in this budget is \$113,925. The district's outstanding obligation as of June 30, 2023, was \$1,031,103, and this will increase once the two new debt obligations are added. Utility rate revenue is used to support all debt services.

BUDGET PROCESS & COMPLIANCE

Yes	No	Compliance Issue
x		Did the district meet publication requirements? <i>Mailed to each resident 32 days before the meeting</i>
x		Do resources equal requirements in every fund?
x		Are contingencies shown only in operating funds?
x		Did the budget committee approve the budget?
x		Did the budget committee set the levy?
x		Does the audit show the district complied with Local Budget Law?

LOCAL BUDGET LAW COMPLIANCE

The FY 2024-25 Budget substantially complies with local budget law. Estimates were judged to be reasonable for the purpose shown.

Due to its size, Burlington Water is not subject to an audit. Instead they must submit an independent accountant’s review report. The FY 22-23 report had no suggestions for material modifications.

CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

TSCC staff did not find any deficiencies in the district's FY 2024-25 budget or budget process, and we suggest the Certification Letter contains no recommendations or objections.

Burlington Water District

Budget Summary

SUMMARY OF ALL FUNDS	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	%
	Actual	Actual	Revised	Approved	Change
PROPERTY TAX BREAKDOWN:					
Permanent Rate Property Taxes	144,888	153,531	158,000	173,000	9.5%
TOTAL PROPERTY TAX	144,888	153,531	158,000	173,000	9.5%
RESOURCES:					
Beginning Fund Balance	216,942	332,605	400,000	435,000	8.8%
Property Taxes	144,888	153,531	158,000	173,000	9.5%
Utilities	279,123	319,540	309,563	320,000	3.4%
Other Income	19,082	20,068	78,000	8,000	-89.7%
Debt Proceeds	0	5,535	530,425	0	-100.0%
TOTAL RESOURCES	660,035	831,279	1,475,988	936,000	-36.6%
REQUIREMENTS BY FUNCTION:					
Public Safety	142,008	161,681	182,700	176,391	-3.5%
Public Utilities Water System	116,502	147,527	912,495	289,900	-68.2%
Debt Service	68,921	68,921	113,925	113,925	0.0%
Contingencies	0	0	266,868	355,784	33.3%
Ending Fund Balance	332,604	453,150	0	0	0.0%
TOTAL REQUIREMENTS BY FUNCTION	660,035	831,279	1,475,988	936,000	-36.6%
REQUIREMENTS BY OBJECT:					
Materials & Services	258,510	292,650	412,770	416,291	0.9%
Capital Outlay	0	16,558	682,425	50,000	-92.7%
Debt Service	68,921	68,921	113,925	113,925	0.0%
Contingencies	0	0	266,868	355,784	33.3%
Ending Fund Balance	332,604	573,695	0	0	0.0%
TOTAL REQUIREMENTS BY OBJECT	660,035	951,824	1,475,988	936,000	-36.6%

Burlington Water has only one fund ~ the General Fund