

Budget Review 2025-26

Burlington Water District



HIGHLIGHTS

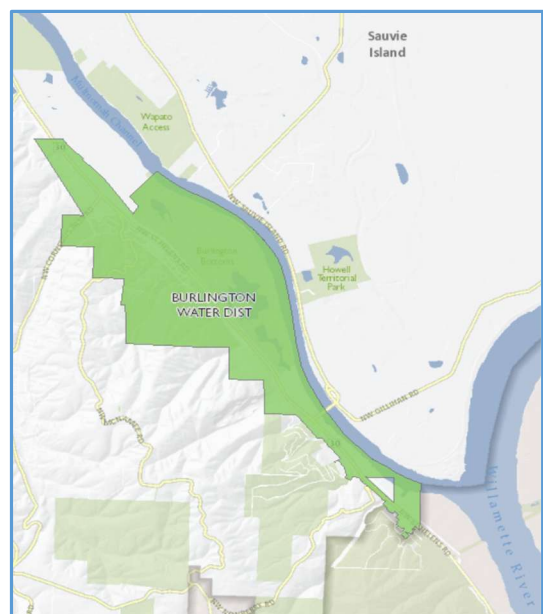
- The total FY 2025-2026 approved budget is \$1,322,000, an increase of \$386,000 or 41% compared to the current year's revised budget.
- Burlington Water District customers' water rates and monthly fees will increase.
 - The cost of water from the Portland Water Bureau is projected to rise from \$1.296/ccf to \$1.318/ccf.
 - The District's Guaranteed Minimum Purchase (GMP) obligation with the Portland Water Bureau will increase by approximately \$4,200 in FY 2025-2026.
 - To meet increasing costs, the district will raise the usage rate by \$0.10/ccf and increase the base rate by \$2 per connection, bringing the new base rates to \$82.18 for in-district customers and \$100.71 for out-of-district customers.
- The district will allocate \$608,964 in contingency, an increase of \$253,180 or 71% percent. This increase reflects the district's plan to maintain reserves amid rising costs for water purchases, system maintenance, and fire protection services.
 - 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.
- Over the past three fiscal years, actual fire protection costs have exceeded the dedicated property tax collections available to provide the service. The Board has budgeted \$180,000 in property tax revenue and \$220,211 in fire protection expenditures for FY 2025-26.

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. In 2020, the district executed a 10-year contract with Portland Fire and Rescue for fire protection services, which expires in 2030. The agreement provides for annual rate increases. The district contracts with the City of Portland for fire services for its residents.

Burlington Water	2021-22	2022-23	2023-24	2024-25
Assessed Value in Millions	\$43.5	\$46.5	\$51.8	\$53.5
Real Market Value (M-5) in Millions	\$83.0	\$95.0	\$97.7	\$103.6
Property Tax Rate Extended: Operations	\$3.4269	\$3.4269	\$3.4269	\$3.4269

BUDGET OVERVIEW

The total FY 26 budget is \$1,272,000, an increase of 36% from \$936,000 in FY25. The increase is primarily due to a higher beginning fund balance of approximately \$700,000 and continued stable revenue from water sales and property taxes.

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.

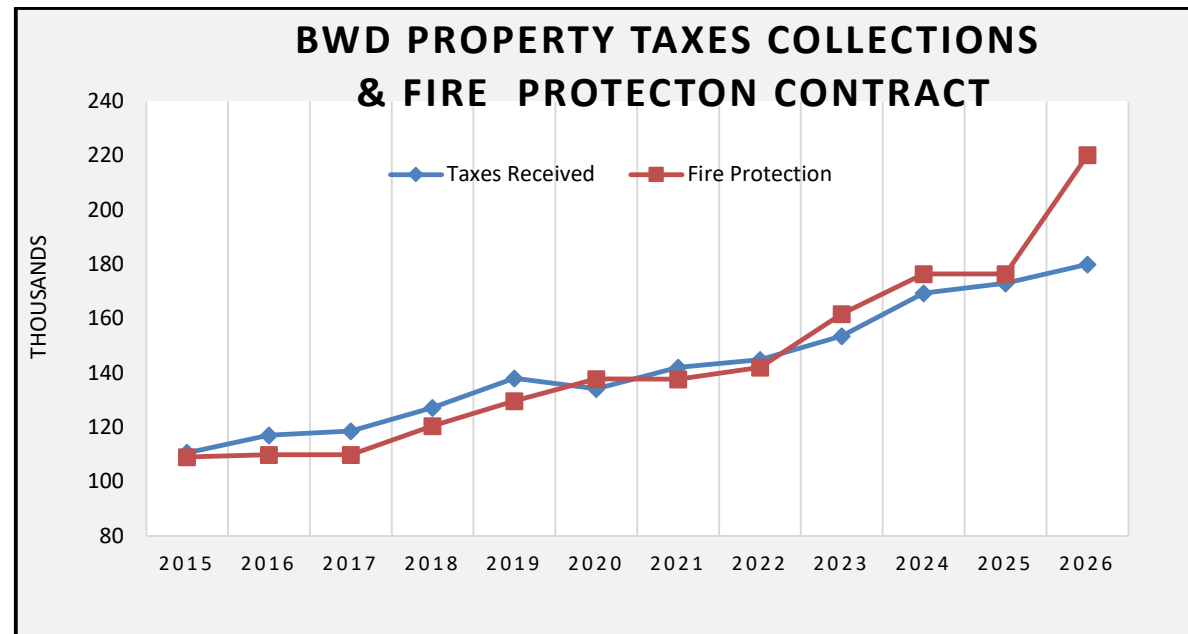
In 2022, the district identified a leak and a significant risk of future failure in a major pipeline serving residents along Riverview Drive. To address this, the district secured a \$40,000 grant and a \$270,000 low-interest loan through the Safe Drinking Water Revolving Loan Fund. The loan, originally approved for \$274,650, was later amended to a final loan amount of \$438,605 to fully cover project costs. The contract was executed in September 2022 at an interest rate of 1.58%, with repayments scheduled annually through 2053. The first loan payment was due in December 2024.

A second loan was obtained in February 2023 to support the district's water meter replacement project. This loan totaled \$68,264 at an interest rate of 2.48%, with repayments beginning in September 2024 and extending through 2053.

Capital expenditures will be minimal this year, following the completion of the meter replacement project in fiscal year 2023-2024. The district will utilize the completion of comprehensive Master Plan in fiscal year 2024-2025 to identify future vulnerabilities to infrastructure and identify a prioritized plan of future capital projects based off that information.

The cost of fire protection for FY26 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 fire protection is \$220,211 – a \$43,820 (nearly 25%) increase from FY25. The district continues to negotiate the contract in an attempt to secure a lower price for fire protection, however, as of the writing of this review, the City has not been responsive.

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. In the last three years, taxes collected did not cover 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 2024. The FY 2025 and 2026 are budgeted numbers and are still being negotiated, so these are estimates and could 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, among other options.

In FY 2025-26, revenue from water sales increases by 3% to \$330,000 due to the increase in both water rates and monthly fees charged to customers. Monthly fees will increase by \$2.00 to a total of \$82.18 for customers within the district and to \$100.71 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 that eliminates the GPM, so they are charged only for the amount of water purchased. The chart below shows how water usage rates have increased.

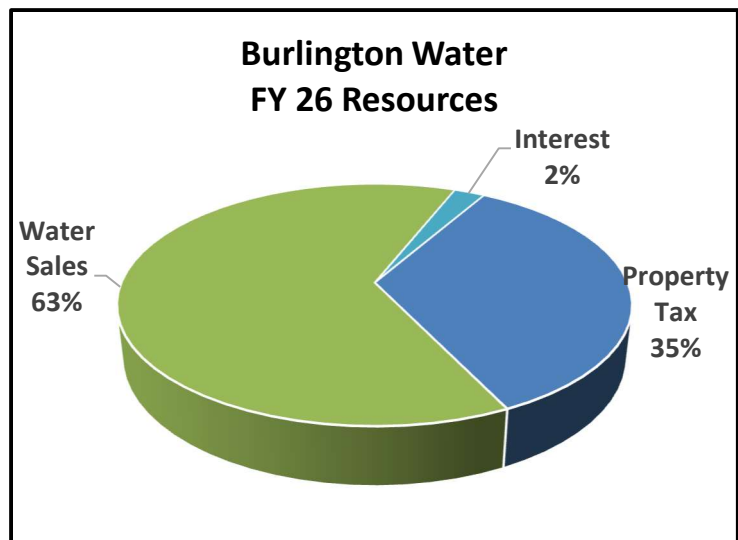
Burlington Water District Customers' Water Rates (Per CCF)						
	FY23	FY24	FY25	FY26	Current Water Rate	
					\$ Increase	% Increase
Inside District Boundaries						
500	\$9.70	\$9.88	\$9.99	\$10.09	\$0.10	1.00%
501-1000	\$11.56	\$11.74	\$11.85	\$11.95	\$0.10	0.84%
1001-2000	\$13.98	\$14.16	\$14.27	\$14.37	\$0.10	0.70%
2001-3000	\$15.89	\$16.07	\$16.18	\$16.28	\$0.10	0.62%
over 3000	\$17.25	\$17.43	\$17.54	\$17.64	\$0.10	0.57%
Outside District Boundaries						
500	\$10.13	10.31	\$10.42	\$10.52	\$0.10	0.96%
501-1000	\$11.94	12.12	\$12.23	\$12.33	\$0.10	0.82%
1001-2000	\$14.15	14.33	\$14.44	\$14.54	\$0.10	0.69%
2001-3000	\$16.03	16.21	\$16.32	\$16.42	\$0.10	0.61%
over 3000	\$17.77	17.95	\$18.06	\$18.16	\$0.10	0.55%

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 \$330,000 are the district's largest source of revenue for FY26, followed by property tax revenue, which is budgeted at \$180,000. Interest earned (\$12,000) is the only other income in the budgeted revenue.

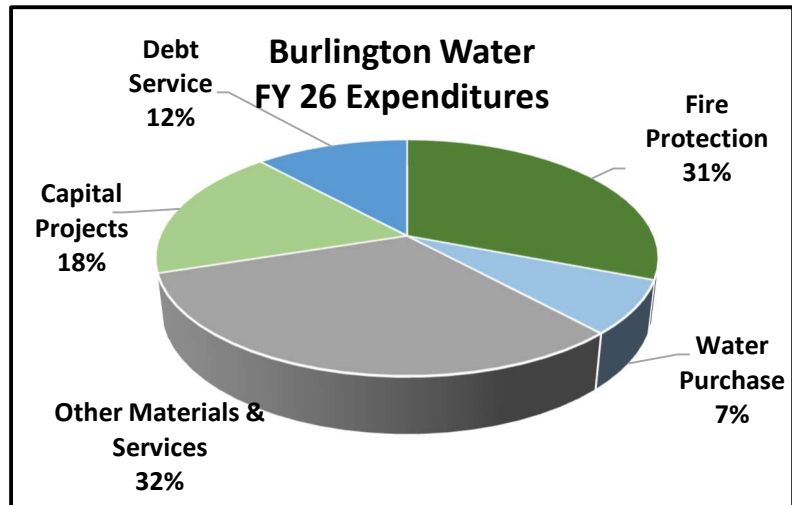
The district is anticipating a carryover of \$750,000 bringing the total resources to \$1,322,000. The high beginning balance reflects prior years' underspending and the completion of major capital projects in FY24 such as the meter replacement project and pipeline repairs on Riverview Drive.



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 is projected to increase by nearly 20% to \$499,111. Primarily due to the 19% increase to their fire protection contract. Five primary line items account for 84% of total materials & services expenditures. The largest expense is the fire protection contract, estimated at \$220,211. Water purchases from the Portland Water Bureau are expected to rise due to increased rates, contributing \$52,000 to expenditures. Operations management fees will account for \$58,000, and engineering costs tied to the preparation of the Master Plan are set at \$15,000. The remaining line items are all under \$25,000, with most being under \$5,000.

Capital Expenditures

The Burlington Water District has budgeted \$130,000 for capital expenditures in FY26. While no major new construction projects are planned, this allocation ensures the district has resources available for targeted infrastructure improvements, emergency repairs, and water loss prevention efforts.

This investment follows the recent completion of two significant projects in FY 2023-24:

- Meter Replacement Project – Installed updated meters across the system to enhance accuracy in tracking water consumption, reduce billing discrepancies, and help detect leaks and system inefficiencies.
- Riverview Drive Waterline Replacement – Repaired a key pipeline at risk of failure using a combination of a \$40,000 grant and a \$438,605 low-interest loan through the Safe Drinking Water Revolving Loan Fund, awarded in 2022.

Controlling water loss has become increasingly important as the cost of wholesale water from the Portland Water Bureau continues to rise. To address this, the district is prioritizing system upgrades and maintenance.

Debt service totals **\$83,925**, see next section.

Contingency and Ending Fund Balance

The district budget is **\$608,964** 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 \$1,272,000, 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 FY26 payment for this loan at \$15,000. 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 \$83,925. The district's outstanding obligation as of June 30, 2024, was \$972,493. 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 2025-26 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 23-24 report had no suggestions for material modifications.

CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

TSCC staff did not find any deficiencies in the district's FY 2025-26 budget or budget process, with one exception.

We suggest a recommendation to the district to encourage them to continue developing a plan for addressing the gap between property tax revenues and fire protection contract costs. The district was created to provide water services, and by state law can charge rates to cover those expenses (ORS 264.310). The district's ability to receive property tax and provide fire protection services occurred years after the district's creation. Per law 380 passed in 1941 (ORS 264.340), water districts could choose to provide fire services if they were not already in a fire protection district. The law allowed districts to levy a tax specifically for "defraying the expense" of fire equipment and intergovernmental agreements to protect inhabitants from fire.

The district now has three years of fire expenditures exceeding revenues, and the district estimates the remaining dollars in property tax fund balance will be insufficient to cover the current year contract and next year's contract. TSCC has met with staff and the board to discuss various options multiple times, starting in FY 22-23. Options include renegotiating the fire protection contract, verifying the legality of using water rate dollars to pay for the fire contract, exploring other districts to contract with, or taking a local option levy to voters to increase the tax rate and cover the increased costs. The TSCC recommends that the district set a course of action to align revenues and expenditures for fire protection services, given the trend of rapidly escalating costs and limited growth in revenues.

Burlington Water District

Budget Summary

	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	%
<u>SUMMARY OF ALL FUNDS</u>	Actual	Actual	Revised	Approved	Change
PROPERTY TAX BREAKDOWN:					
Permanent Rate Property Taxes	153,531	169,356	173,000	180,000	4.0%
TOTAL PROPERTY TAX	153,531	169,356	173,000	180,000	4.0%
RESOURCES:					
Beginning Fund Balance	332,605	453,150	435,000	750,000	72.4%
Property Taxes	153,531	169,356	173,000	180,000	4.0%
Utilities	319,540	324,084	320,000	330,000	3.1%
Other Income	20,068	468,710	8,000	12,000	50.0%
Debt Proceeds	5,535	61,811	0	0	0.0%
TOTAL RESOURCES	831,279	1,477,111	936,000	1,272,000	35.9%
REQUIREMENTS BY FUNCTION:					
Public Safety	161,681	176,391	176,391	185,211	5.0%
Public Utilities Water System	147,527	710,476	289,900	298,100	2.8%
Debt Service	68,921	68,921	113,925	83,925	-26.3%
Contingencies	0	0	355,784	704,764	98.1%
Ending Fund Balance	453,150	521,323	0	0	0.0%
TOTAL REQUIREMENTS BY FUNCTION	831,279	1,477,111	936,000	1,272,000	35.9%
REQUIREMENTS BY OBJECT:					
Materials & Services	292,650	331,748	416,291	433,311	4.1%
Capital Outlay	16,558	555,119	50,000	50,000	0.0%
Debt Service	68,921	68,921	113,925	83,925	-26.3%
Contingencies	0	0	355,784	704,764	98.1%
Ending Fund Balance	453,150	521,323	0	0	0.0%
TOTAL REQUIREMENTS BY OBJECT	831,279	1,477,111	936,000	1,272,000	35.9%

Burlington Water has only one fund ~ the General Fund