

Budget Review 2023-24

Lusted Water District

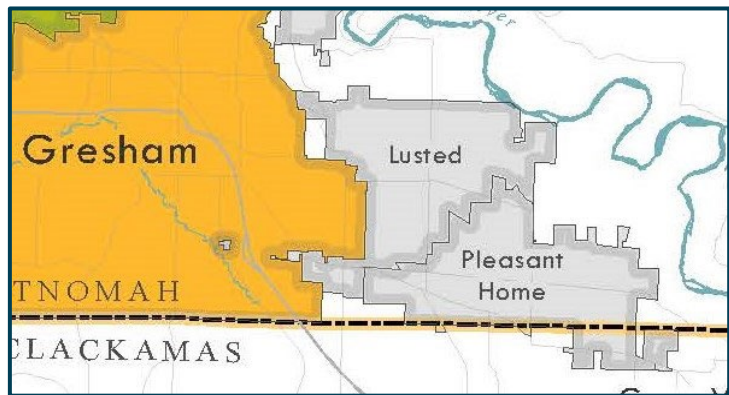


BUDGET HIGHLIGHTS

- The total FY 2023-24 budget is \$5.4 million, less than a one-percent increase from FY 23.
- The district is investing in projects to support the Water Supply Transition Project, which will allow them to discontinue purchases of City of Portland Water:
 - The contract with the City of Portland will expire in June 2026.
 - The district is considering moving forward with purchasing wholesale water supply from the City of Gresham rather than developing wells.
 - The district budgeted loan proceeds from the Oregon Business Development Department to pay for the capital improvement projects.
- In June, the district’s board will vote on increasing the water rates charged to its customers. The budget includes a rate increase of 8.5% for up to 2,500 cubic feet of water; rates were also increased the last several years.

INTRODUCTION & BACKGROUND

Lusted Water District serves 30 square miles east of Gresham. The district currently purchases water from the City of Portland. It has three water storage reservoirs and five pump stations (two are idle). The district serves just over 400 customers, including Sam Barlow High School. Customers are primarily rural residential.



The district borders are 282nd Street to the west, Victory Rd. on the north, east to 302nd and south to one mile beyond Orient Drive.

Five board members elected to four-year terms are compensated \$49.99 per meeting. The district has a permanent property tax rate of \$0.2423 per \$1,000 assessed value. In May 2009, the voters approved a \$900,000 General Obligation Bond measure to replace the water tank.

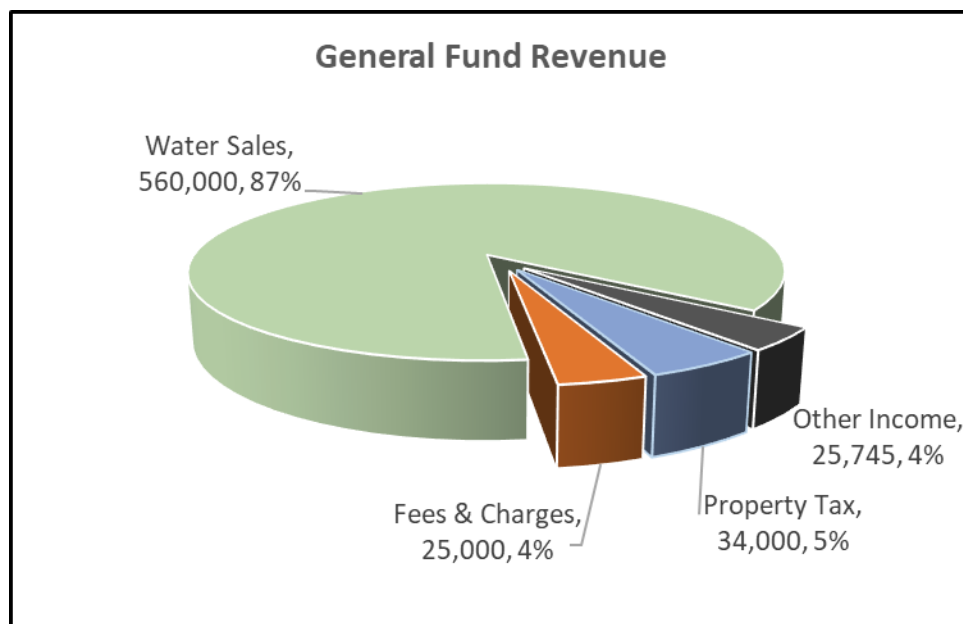
Lusted Water	2019-20	2020-21	2021-22	2022-23
Assessed Value in Millions	\$134.8	\$138.7	\$143.3	\$148.2
Real Market Value (M-5) in Millions	\$204.6	\$217.7	\$243.5	\$287.2
Property Tax Rate Extended:				
Operations	\$0.2423	\$0.2423	\$0.2423	\$0.2423
Debt Service	\$0.5763	\$0.5592	\$0.5565	\$0.5911
Total Property Tax Rate	\$0.8186	\$0.8015	\$0.7988	\$0.8334
Number of Employees (FTE)	1.4	1.8	1.8	1.8

BUDGET OVERVIEW

The FY 2023-24 budget is \$5.4 million. The change from the current year is less than a one percent increase. The district is budgeting \$100,000 less in debt proceeds for capital projects. The increase in the beginning fund balance (+\$85K) partially offsets the decrease in revenue from debt proceeds. On the expenditure side, Capital Projects will decrease by \$170K, and the ending fund balance will increase by \$100K.

Most of the budget resides in the \$2.9 million Distribution Improvement Project Fund, which accounts for 55% of the total budget. The district is working on several projects involving improvements to the water distribution system. The district does not anticipate current-year spending nor borrowing will be near the budgeted amounts. Lusted Water District does not revise the current year's adopted budget with recent estimates.

GENERAL FUND



The General Fund accounts for all costs except specific capital projects. The General Fund makes up 21% of the total budget. This fund increased 16% over the current year, from \$981,900 to \$1,145,245. The beginning fund balance also increased due to underspending in the current year.

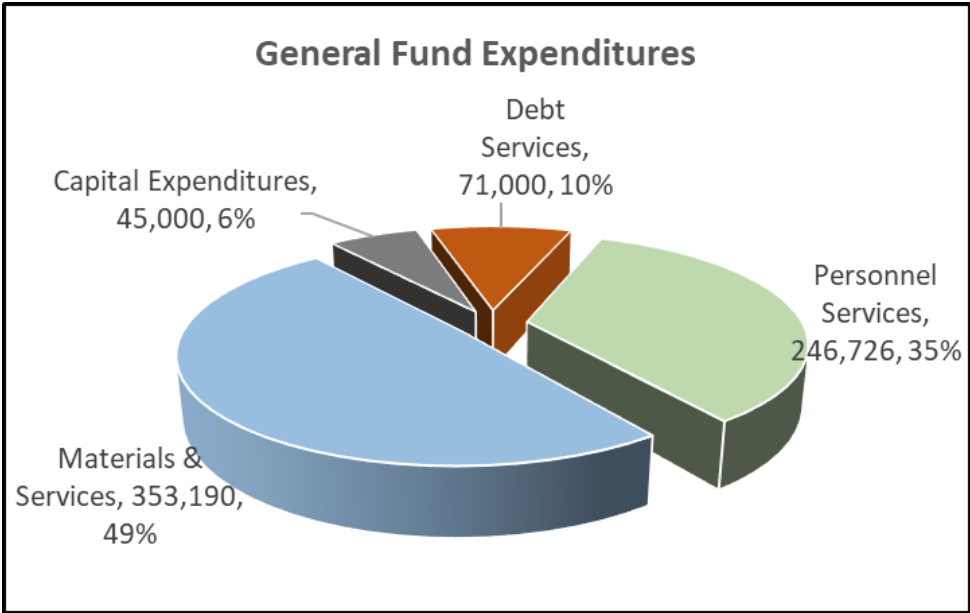
The most significant increase in revenue can be seen in the payments from water sales, a rise of 7%. The rates charged by the district have increased yearly for the last several years and are rising again in the upcoming year, this time by 8.5% for usage up to 2,900 cubic feet. Rate increases are to fund the planned pipeline replacement and water supply development projects and to keep pace with rising inflation. The Board will hold a hearing and vote on the rate increase in June 2023.

Water Rate Changes					
	FY 21	FY 22	FY 23	FY 24	% Change
Base Rates (2 months)	\$70.00	\$80.00	\$90.00	\$105.00	16.67%
Usage Rates (1-29 CCF)	\$4.65	\$4.90	\$5.30	\$5.75	8.49%
Usage Rates (30+ CCF)	\$6.85	\$7.40	\$7.80	\$8.35	7.05%

The board will discuss the FY 24 rates and may revise the budgeted amounts before the June hearing. If a rate increase is passed, water rates will go into effect on August 1, 2023.

Water sales are 87% of General Fund revenues. Five percent or \$34,000 of the district’s income comes from property taxes, and they receive \$15,745 from an AT&T lease agreement for the antennae installed on the Barlow water tower.

The major expenditure categories are **personnel services** (\$246,726) and **materials and services (M&S)** (\$428,190), with the most significant M&S expenses being water purchases (\$140,000) and maintenance and repair (\$105,000). **Capital Outlay** is budgeted at \$4.1 million, with all but \$171K for the water supply transition project. **Contingency** and **ending fund balance** total just under 38% of all requirements.



Allocated expenditures decreased slightly from \$4.92 million to \$4.87 million due to reduced capital spending. All personnel services costs are recorded in the General Fund and include salaries for four part-time positions and one as-needed position:

- Superintendent
- General Manager
- Capital Projects Manager
- Office Manager
- Utility Worker

The budget includes a cost-of-living adjustment of a 5.8% increase for all employees. The COLA is the only change to personnel service expenses. The materials and services totaling \$428,190 are seeing an 18% increase. The three drivers of this increase are:

- Wholesale water purchase costs from the City of Portland will increase from \$120K to \$140K;
- Regulatory compliance costs to conduct a service line inventory to document the lead content of service piping;
- Legal services to develop contract terms for the wholesale water supply agreement with the City of Gresham.

A portion of the increase in M&S was offset by moving the Engineering and Technical Services expenses (\$25K) to the Water Improvement Fund. Other items in this category will increase slightly with the adjustment for inflation.

Debt service is \$71,000 to repay the state Clean Water State Revolving Fund (SRF) loan. This loan works similarly to a line of credit.

OTHER FUNDS

The district has five other funds besides the General Fund, three of which are active.

SUMMARY OF ALL FUNDS					
	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	%
	Actual	Actual	Adopted	Approved	Change
General Fund	786,022	816,653	981,900	1,145,245	16.6%
GO Debt Service Fund	94,243	91,267	89,100	90,360	1.4%
Water System Imp Fund	146,965	364,558	471,350	1,201,350	154.9%
Distribution Imp Project	64,124	75,219	3,025,000	2,925,000	-3.3%
Groundwater Supply Project	0	0	750,000	0	
Barlow High Fire Flow Imp Pjt	186,380	2,029	0	0	
TOTAL ALL FUNDS	1,277,734	1,349,726	5,317,350	5,361,955	0.8%

Nearly all funds are, in some capacity, working towards converting the system to well water. The district anticipates the City of Portland will increase water purchase rates at the end of the district's 20-year contract that expires in 2026. Therefore, the board is exploring options for either system conversion or potentially buying water from the City of Gresham/Rockwood Water People's Utility District.

WATER SYSTEM IMPROVEMENT FUND - \$1.20 million

Resources in this fund are used to acquire property, complete needed improvements, obtain necessary easements and permitting for water rights, and long-term planning expenses. The fund also provides revenue for urgent capital improvements, such as piping projects to improve water supply reliability. New with this budget, the activity previously proposed for the Groundwater Supply Project Fund will now be captured in this fund. The \$750,000 recorded in FY 23 (but not used) in the Groundwater Supply Project Fund was moved to this fund for the water supply transition project. The allocation will increase the

expenditures from \$471,350 to \$1.2 million. Revenue includes loan proceeds from the Oregon Business Development Department (OBDD). They do not anticipate spending all these dollars each year but will need it available for the projects to move forward.

DISTRIBUTION IMPROVEMENT PROJECT FUND - \$2.92 million

This fund is financed by a \$3 million OPDD (Oregon Business Development Department) loan. The state pays expenditures as they are incurred. Funds will be used to replace approximately two miles of severely corroded pipe. The district does not anticipate spending the full amount of the project in the current fiscal year. Actual expenditures are expected to be closer to \$1 million.

GENERAL OBLIGATION DEBT SERVICE FUND (Barlow Tank Debt Service Fund) – \$90,360

This fund is supported entirely by property taxes and is used to pay GO debt service for the water tank debt. There are no significant changes in FY 24 to this fund.

GROUNDWATER SUPPLY PROJECT FUND - \$0

This fund was intended to track resources and revenue while transitioning to a new water supply. It was never utilized and will be closed in June 2023, and the transition project activities will be recorded in the Water System Improvement Fund.

BARLOW HIGH FIRE FLOW IMPROVEMENT PROJECT FUND - \$0

The Barlow High School Fire Flow Improvement Project Fund was developed when Barlow High School was remodeled and required to increase its flow capacity for fire protection. The school district had contracted with Lusted Water to upgrade the station and accomplish increased flow but later chose to discontinue the project. This fund was closed in FY 2022 by board resolution.

DEBT STATUS

The voters approved a \$900,000 General Obligation Bond Measure on May 19, 2009, to replace an aging water storage tank. The district residents have been paying between \$75,000 and \$80,000 annually for debt service. The balance as of June 30, 2023 will be \$445,000.

The district also has two Oregon Business Development loans. These loans are received as reimbursements for approved project expenditures. The total disbursed to date is \$918,000. The district has authorization for an additional \$2.42 million.

BUDGET PROCESS & COMPLIANCE

Yes	No	Compliance Issue
X		Did the district meet publication requirements?
X		Do resources equal requirements in every fund?
X		Does the GO Debt Service Fund show only principal and interest payments?
X		Are contingencies shown only in operating funds?
X		Did the budget committee approve the budget?
X		Did the budget committee set the levy?
		Does the audit show the district was in compliance with budget law? – <i>no audit received</i>

LOCAL BUDGET LAW COMPLIANCE

The FY 2023-24 Budget is in substantial compliance with local budget law. Estimates were judged to be reasonable for the purpose shown.

We have not received the audit report for FY 2022 and cannot confirm whether or not there are any audit findings for FY 2021-22.

CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

The delay in audited numbers is of concern. The district is actively working on resolving the issue and unique circumstances impacting this year’s audit timeline, including auditing staff illness, give us hope this will be a one-time occurrence. Staff suggest including one recommendation:

Per ORS 294.665, the district must annually submit a copy of its audit to TSCC as soon as practicable after the close of the fiscal year. Additionally, state law (ORS 297.465) requires audits be submitted to the Secretary of State’s office by December 31 each year. The FY 2021-22 audit was not available at the time of the budget review, so the Commission is unable to include any notes about possible audit exceptions. Any exceptions in the FY 22 audit will be noted in next year’s review. TSCC certifies by a majority vote of the commissioners that it has one recommendation and no objections to make concerning the budget.

RECOMMENDATION: The district should prioritize the completion of audits in order to comply with the above described aspect of budget law. Without timely receipt of the audit, TSCC is unable to complete the full budget review for the district.

LUSTED WATER DISTRICT

Approved Budget Summary Sheet

	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	%
	Actual	Actual	Revised	Approved	Change
SUMMARY OF ALL FUNDS					
PROPERTY TAX BREAKDOWN:					
Permanent Rate Property Taxes	32,290	36,799	34,000	34,000	0.0%
GO Debt Property Taxes	75,536	75,184	80,600	77,360	-4.0%
Prior Years Property Taxes	0	0	500	500	0.0%
TOTAL PROPERTY TAX	107,826	111,983	115,100	111,860	-2.8%
RESOURCES:					
Beginning Fund Balance	654,145	619,731	753,500	838,000	11.2%
Property Taxes	107,826	111,983	115,100	111,860	-2.8%
Fees and Charges	0	(138,382)	30,000	30,000	0.0%
Utilities	430,031	498,153	525,000	560,000	6.7%
Other Income	22,616	18,019	17,400	45,745	162.9%
Debt Proceeds	13,116	240,194	3,876,350	3,776,350	-2.6%
Transfers In	50,000	29	0	0	0.0%
TOTAL RESOURCES	1,277,734	1,349,727	5,317,350	5,361,955	0.8%
REQUIREMENTS BY FUNCTION:					
Public Utilities Water System	529,843	468,733	4,813,690	4,771,266	-0.9%
Debt Service	78,160	87,725	149,540	152,120	1.7%
Transfers Out	50,000	29	0	0	0.0%
Contingencies	0	0	125,000	75,000	-40.0%
Ending Fund Balance	619,731	793,239	229,120	363,569	58.7%
TOTAL REQUIREMENTS BY FUNCTION	1,277,734	1,349,726	5,317,350	5,361,955	0.8%
REQUIREMENTS BY OBJECT:					
Personnel Services	183,748	188,289	233,200	246,726	5.8%
Materials & Services	345,038	227,076	364,140	428,190	17.6%
Capital Outlay	1,058	53,369	4,216,350	4,046,350	-4.0%
Debt Service	78,160	87,725	149,540	152,120	1.7%
Fund Transfers	50,000	29	0	0	0.0%
Contingencies	0	0	125,000	125,000	0.0%
Ending Fund Balance	619,730	793,239	229,120	363,569	58.7%
TOTAL REQUIREMENTS BY OBJECT	1,277,734	1,349,727	5,317,350	5,361,955	0.8%
SUMMARY OF BUDGET - BY FUND					
General Fund	786,022	816,653	981,900	1,145,245	16.6%
GO Debt Service Fund	94,243	91,267	89,100	90,360	1.4%
Water System Imp Fund	146,965	364,558	471,350	1,201,350	154.9%
Distribution Imp Project	64,124	75,219	3,025,000	2,925,000	-3.3%
Groundwater Supply Project	0	0	750,000	0	-100.0%
Barlow High Fire Flow Imp Project	186,380	2,029	0	0	0.0%
GRAND TOTAL ALL FUNDS	1,277,734	1,349,726	5,317,350	5,361,955	0.8%

DETAIL OF GENERAL FUND**RESOURCES:**

Beginning Fund Balance	301,085	263,653	380,000	500,000	31.6%
Property Tax	32,290	36,799	34,500	34,500	0.0%
Fees and Charges	0	0	25,000	25,000	0.0%
Utilities	430,031	498,153	525,000	560,000	6.7%
Other Income	22,616	18,019	17,400	25,745	48.0%
Transfers In	0	29	0	0	0.0%
TOTAL FUND RESOURCES	786,022	816,653	981,900	1,145,245	16.6%

REQUIREMENTS:

Public Utilities Water System	472,369	408,908	617,340	644,916	4.5%
Debt Service	0	6,765	71,000	71,000	0.0%
Transfers Out	50,000	0	0	0	0.0%
Contingencies	0	0	75,000	75,000	0.0%
Ending Fund Balance	263,653	400,980	218,560	354,329	62.1%
TOTAL FUND REQUIREMENTS	786,022	816,653	981,900	1,145,245	16.6%

DETAIL OF GENERAL OBLIGATION DEBT SERVICE FUND**RESOURCES:**

Beginning Fund Balance	18,707	16,083	8,500	13,000	52.9%
GO Debt Property Taxes	75,536	75,184	80,600	77,360	-4.0%
TOTAL FUND RESOURCES	94,243	91,267	89,100	90,360	1.4%

REQUIREMENTS:

Debt Services	78,160	80,960	78,540	81,120	3.3%
Ending Fund Balance	16,083	10,307	10,560	9,240	-12.5%
TOTAL FUND RESOURCES	94,243	91,267	89,100	90,360	1.4%