

Budget Review 2023-24

Palatine Hill Water District



BUDGET HIGHLIGHTS

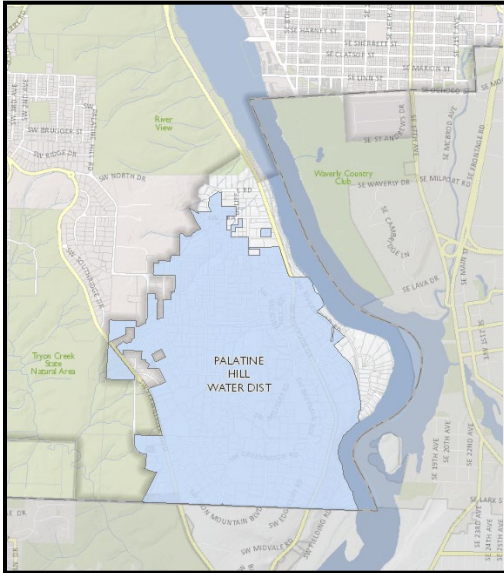
- The district's FY 23 budget is \$6.6 million, an increase of \$1.3 million, or 24%.
- Expenditures are increasing by \$1.3 million, which is attributable almost entirely to increased spending on capital improvements for the district's infrastructure.
- Water rates charged to customers were last increased in March 2020 and will not increase with this budget.
- The district continues to budget for transfers to the System Improvement Fund from the General Fund. In FY 23, the transfer increased by \$200,000 to \$700,000.
- Fund balance declines \$152 thousand (-8%) as the district increases spending on capital.

INTRODUCTION & BACKGROUND

Palatine Hill Water District is located in Southwest Portland. It covers approximately five square miles and has about 600 customers. The district purchases water from the Portland Water Bureau.

The district has five board members elected to four-year terms and serves without compensation.

Palatine Hill Water District certified its tax base authority in 1997-98 to determine a property tax rate under Ballot Measure 50. However, it has not certified a levy since then.



Palatine Hill Water	2019-20	2020-21	2021-22	2022-23
Assessed Value in Millions	\$641.9	\$662.9	\$684.2	\$706.3
Real Market Value (M-5) in Millions	\$939.2	\$936.2	\$1,014.8	\$1,056.9
Property Tax Rate Extended: Operations	\$0.0000	\$0.0000	\$0.0000	\$0.0000

BUDGET OVERVIEW

The district's FY 23 budget is \$6,617,610, increasing \$1,296,647 (24%) from the prior year. District expenditures are increasing by \$1.25million, attributable to capital improvements as the district continues to replace aging infrastructure to prevent service disruption. The district's budget increased by nearly 500,000 last year, also due to planned capital spending.

RESOURCES

RESOURCES:

Beginning Fund Balance	2,192,973	2,856,984	3,381,911	4,252,538	25.7%
Fees and Charges	0	0	0	14,072	0.0%
Utilities	1,414,062	1,339,902	1,402,800	1,505,000	7.3%
Other Income	36,289	3,146	36,252	146,000	302.7%
Transfers In	350,000	500,000	500,000	700,000	40.0%
TOTAL RESOURCES	3,993,324	4,700,032	5,320,963	6,617,610	24.4%

Palatine Hill water District's resources equal requirements in all funds and inter-fund transfers balance. The primary revenue is income from water utilities. The district also generates income from interest on investments, a cell tower lease, and miscellaneous proceeds.

REQUIREMENTS

REQUIREMENTS BY OBJECT:

Materials & Services	688,620	600,716	665,820	810,800	21.8%
Capital Outlay	97,720	6,116	2,099,000	3,203,000	52.6%
Fund Transfers	350,000	500,000	500,000	700,000	40.0%
Contingencies	0	0	50,000	50,000	0.0%
Ending Fund Balance	2,856,984	3,593,200	2,006,143	1,853,810	-7.6%
TOTAL REQUIREMENTS BY OBJECT	3,993,324	4,700,032	5,320,963	6,617,610	24.4%

Palatine Hill Water District purchases water from the Portland Water Bureau (PWB). Water purchased is budgeted at \$476,000, an increase of 30% from last year's budget, and close to the 35-40% increase the district is expecting for rate increases over the next few years. Negotiations are underway to renew the district's contract with PWB, which expires in 2026.

The district has no **personnel services** costs. It contracts out the daily operations of the district (\$64,800), accounting functions (\$64,000), and engineering responsibilities (\$64,000). Both management and accounting services increase by roughly \$11,000.

Capital outlay increases \$1.1 million in the FY 2023-24 budget are due to planned capital projects. The district will spend down their fund balance to pay for the projects (as planned).

Materials & Services (all budgeted in the General Fund): The cost of water purchased will increase 30% to \$476,000, and accounts for 58% of the Materials and Services total.

GENERAL FUND - \$3,347,634

The General Fund receives 99% of the district's revenue and is comprised mainly of water sales (the System Improvement Fund receives a small portion of interest and system development fees). The fund totals \$3,347,634. Operational expenses are recorded in the General Fund. The total expenditures for FY 24 total \$810,800.

GENERAL FUND RESOURCES

Revenue is budgeted to increase by \$102,200 (7% increase). Rates have not changed, so increased revenues would be a result of increased volume and is primarily dependent on weather – when the weather is hotter, the district sells more water.

GENERAL FUND REQUIREMENTS

The General Fund expenditures increase from \$665,820 to \$810,800, a 22% increase. The increase in the General Fund is driven by water purchase increases, which grow by over \$100,000. Anticipated ongoing expenditures (materials & services) in FY 24 are only 49% of the budgeted revenue. This allows the district to transfer \$700,000 to the System Improvement Fund. The district pays for all system improvements using this annual surplus, forgoing its tax authority or borrowing power. The district will still leave an ending fund balance of \$1,786,864 in the General Fund, more than double the amount budgeted for operating expenditures in FY 24.

OTHER SIGNIFICANT BUDGET AREAS

SYSTEM IMPROVEMENT FUND - \$3,269,976

The System Improvement Fund is to plan for and record long-term maintenance and improvements to the district's infrastructure. The fund is supported through regular transfers from the General Fund, interest earned on investments, and system development fees. The district anticipates future expenditures in the System Fund for water main replacements, storage improvements, and other improvements to total approximately \$10.8 million over the next 10 years. This is an increase from last year's estimate of \$4.94 million in future improvements shared in the budget message. The district anticipates spending \$3.2 million towards these improvements in FY 24; planned projects are included in the budget message:

System Improvement Fund Projects

Locate and Raise Valve Boxes	\$ 35,000
Master Plan Piping Improvement P2 (Military Road, Esquiline to Aventine)	795,000
Piping Improvement - Condition and Age (Breyman Ave, Edgecliff to 12640 Riverside Dr)	875,000
Fire Hydrant Replacements	140,000
2-inch Main Replacements	450,000
Miscellaneous Improvements and Upgrades	158,000
Telemetry/SCADA Upgrades	250,000
Repaint Low Tank Exterior	500,000
	<hr/>
	\$ 3,203,000

DEBT STATUS

The district has no debt.

BUDGET PROCESS & COMPLIANCE

Yes	No	Compliance Issue
X		Did the district meet publication requirements?
X		Do resources equal requirements in every fund?
N/A		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?
N/A		Did the budget committee set the levy?
X		Does the audit show the district was in compliance with budget law?

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.

The audit report for FY 2021-22 notes no exceptions.

CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

TSCC staff notes no deficiencies in the district's FY 2023-24 budget development process.

Palatine Hill Water District					
Budget Summary					
	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	%
<u>SUMMARY OF ALL FUNDS</u>	Actual	Actual	Revised	Approved	Change
PROPERTY TAX BREAKDOWN:					
TOTAL PROPERTY TAX	0	0	0	0	0.0%
RESOURCES:					
Beginning Fund Balance	2,192,973	2,856,984	3,381,911	4,252,538	25.7%
Fees and Charges	0	0	0	14,072	0.0%
Utilities	1,414,062	1,339,902	1,402,800	1,505,000	7.3%
Other Income	36,289	3,146	36,252	146,000	302.7%
Transfers In	350,000	500,000	500,000	700,000	40.0%
TOTAL RESOURCES	3,993,324	4,700,032	5,320,963	6,617,610	24.4%
REQUIREMENTS BY OBJECT:					
Materials & Services	688,620	600,716	665,820	810,800	21.8%
Capital Outlay	97,720	6,116	2,099,000	3,203,000	52.6%
Fund Transfers	350,000	500,000	500,000	700,000	40.0%
Contingencies	0	0	50,000	50,000	0.0%
Ending Fund Balance	2,856,984	3,593,200	2,006,143	1,853,810	-7.6%
TOTAL REQUIREMENTS BY OBJECT	3,993,324	4,700,032	5,320,963	6,617,610	24.4%
SUMMARY OF BUDGET - BY FUND					
General Fund	2,322,418	2,616,312	3,055,038	3,347,634	9.6%
System Improvement Fund	1,670,906	2,083,720	2,265,925	3,269,976	44.3%
GRAND TOTAL ALL FUNDS	3,993,324	4,700,032	5,320,963	6,617,610	24.4%
DETAIL OF GENERAL FUND					
RESOURCES:					
Beginning Fund Balance	884,095	1,284,019	1,624,986	1,780,634	9.6%
Utilities	1,414,062	1,339,902	1,402,800	1,505,000	7.3%
Other Income	24,261	(7,609)	27,252	62,000	127.5%
Transfers In	0	0	0	0	0.0%
TOTAL FUND RESOURCES	2,322,418	2,616,312	3,055,038	3,347,634	9.6%
REQUIREMENTS:					
Public Utilities Water System	688,399	600,716	665,820	810,800	21.8%
Transfers Out	350,000	500,000	500,000	700,000	40.0%
Contingencies	0	0	50,000	50,000	0.0%
Ending Fund Balance	1,284,019	1,515,596	1,839,218	1,786,834	-2.8%
TOTAL FUND REQUIREMENTS	2,322,418	2,616,312	3,055,038	3,347,634	9.6%