

# Budget Review 2025-26

## Lusted Water District

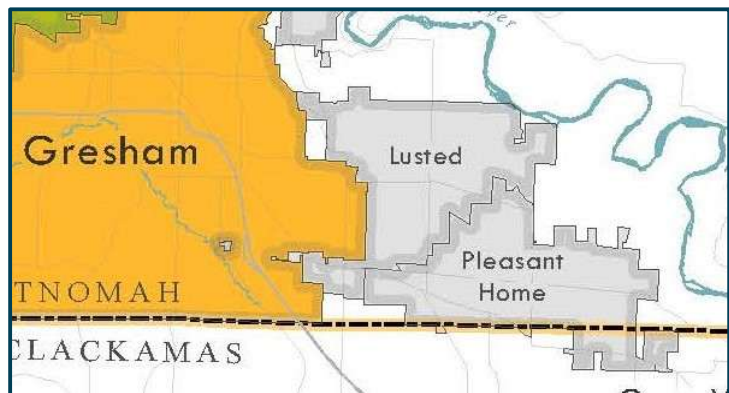


### BUDGET HIGHLIGHTS

- The total FY 2025-26 budget is \$3.98 million, a 37% reduction from FY 2024-25 driven by reductions in capital projects.
- 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 20-year contract with the City of Portland will expire in June 2026.
  - The district will begin purchasing wholesale water supply from the City of Gresham as of July 2026.
  - The district budgeted loan proceeds from the Oregon Business Development Department to pay for the capital improvement projects.
- In July 2025, the district's board will vote on increasing the water rates charged to its customers. The budget includes a rate increase of between 10% - 12%; rates were also increased in the last several years and are expected to increase at the same rate over the next five years.
- Two district staff are retiring summer of 2025. The budget reflects a shift of staffing from a part-time Operations Superintendent with a full-time employee and potential outsourcing of book-keeping services.

### INTRODUCTION & BACKGROUND

Lusted Water District serves 30 square miles east of Gresham. The district has previously purchased water from the City of Portland, however, they will move to purchase from City of Gresham starting on July 1, 2026. 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 282<sup>nd</sup> Street to the west, Victory Rd. on the north, east to 302<sup>nd</sup> 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	2021-22	2022-23	2023-24	2024-25
Assessed Value in Millions	\$143.3	\$148.2	\$153.3	\$158.5
Real Market Value (M-5) in Millions	\$243.5	\$287.2	\$279.3	\$288.6
Property Tax Rate Extended:				

<b>Lusted Water</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Operations	\$0.2423	\$0.2423	\$0.2423	\$0.2423
Debt Service	\$0.5565	\$0.5911	\$0.5426	\$0.5316
Total Property Tax Rate	\$0.7988	\$0.8334	\$0.7849	\$0.7739
Number of Employees (FTE's)	2	2	2	2

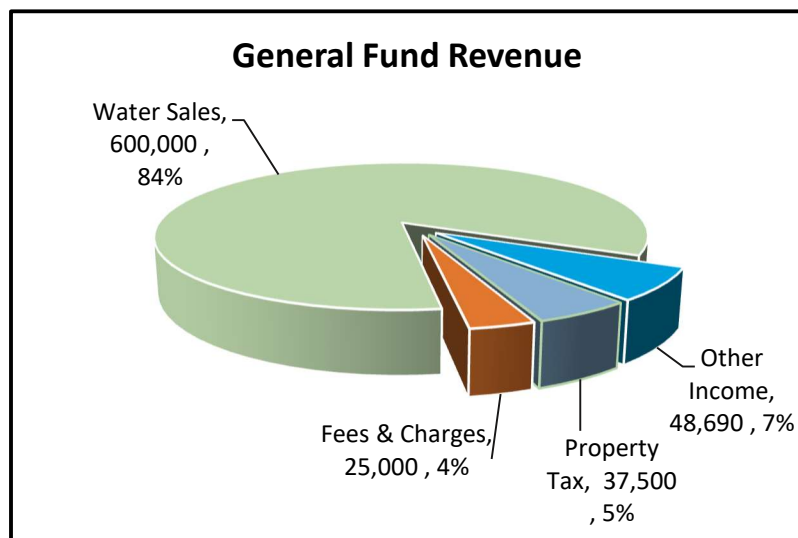
## BUDGET OVERVIEW

The FY 2025-26 budget is \$3.98 million, which is a reduction from the current year of 2.3 million (-37%). The decrease is driven by reductions in Distribution Improvement Projects. Ending fund balance will decrease by \$148 thousand (-87%) as funds are spent on planned projects, debt repayments and lowered anticipated debt proceeds. This leaves the general fund with an ending fund balance of \$16,000, a large reduction as FY 2023-24 actuals hovered at \$583,000. The shift occurs as capital projects are completed and the transition to purchasing City of Gresham water is planned.

Most of the budget resides in the \$2.0 million Distribution Improvement Project Fund, which accounts for 51% of the total budget. The district is working on several projects involving improvements to the water system infrastructure.

## GENERAL FUND

The General Fund accounts for all costs except specific capital projects. The General Fund makes up 27% of the total budget. This fund decreases 9.9% over the current year, from \$1.2 million to \$1.1 million as Beginning Fund Balance (BFB) has a 27.3% reduction (\$150,000).



Offsetting approximately \$17,500 of that BFB reduction is in rentals and leases where the district was able to renegotiate with AT&T Wireless for the use of the Barlow Tower as a wireless antenna site. At nearly \$2,400 per month, the site will contribute \$28,700 for its use in FY 2025-26.

Water sales are 54% of General Fund revenues. The rates charged by the district have increased yearly for the last several years and are rising again in the upcoming year, an

average between 10%-12%. Rate increases are funding the water supply transition projects, continued replacement of leaking pipelines and covering price increases for wholesale water purchases in future years. The Board will hold a hearing and vote on the rate increase on July 9, 2025. The board will discuss the FY 2025-26 rates and may revise the budgeted amounts before the July hearing.

The remaining revenue generated in the district is from property taxes, fees and charges and interest (\$82,500).

Total expenditures increased from \$796,000 to \$921,000 (15.6%), driven largely by personnel costs as the district increased the part-time Operations Superintendent from 0.5 FTE to 1.0 FTE. The major expenditure categories are **personnel services** (\$303,296) and **materials and services (M&S)** (\$429,340), with the most significant M&S expenses being water purchases (\$170,000) and maintenance and repair (\$1,120,000). **Capital Outlay** is budgeted at \$45,000, consisting of equipment costs, and **Debt Services** is budgeted at \$126,000.

Total **Transfers** equal \$100,000 as General Fund sends support to Water System Improvement Fund for the costs of the transition to the Gresham water supply. **Contingency** is set at \$75,000 for unforeseeable expenditures and **Ending Fund Balance** sits at \$15,554, a large decrease as current budget sits at \$163,000.

### Personnel Services

All personnel services costs are recorded in the General Fund and include salaries for one full-time Superintendent (0.5 FTE increase over current budget), and three part-time positions and one as-needed position. Total FTE is 2.45 as shown in the table below.

Position	Superintendent	General Manager	Capital Projects Manager	Office Manager	Utility Worker
<b>FTE (Full-Time Equivalent)</b>	1.0	0.4	0.4	0.5	0.15

The budget includes a cost-of-living adjustment of a 2.7% increase for all employees. The COLA is the only change to personnel service expenses. Employee Health Insurance increases 10% due higher level of employee adoption.

### Materials & Services

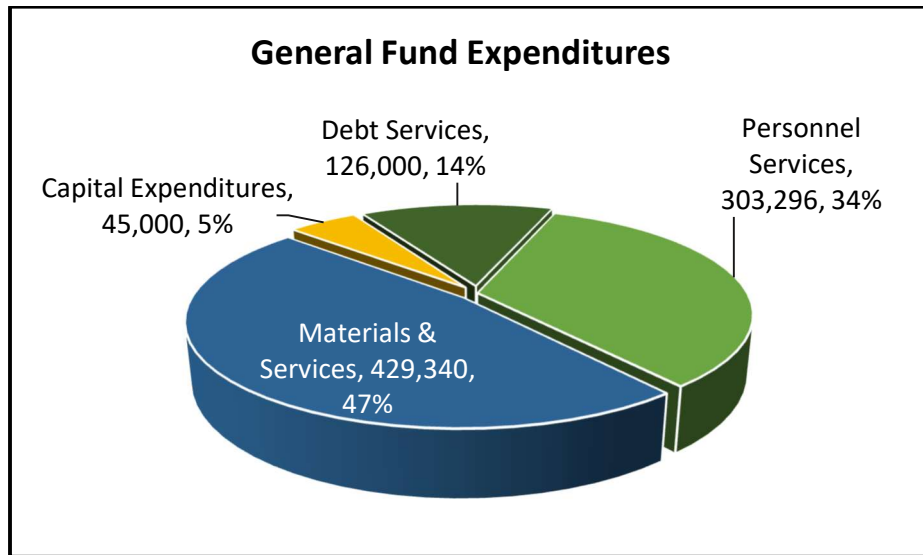
Materials and Services expenditures are \$429,340, a 17% increase of \$44,072 is projected. Some highlights are:

- Accounting and Bookkeeping increase by ~\$6,000 to allow for contracted bookkeeping services as the Office Manager is set to retire. A trial run of this model will be used for FY 2025-26 with the elimination of an Office Manager FTE if it proves to be a more cost-effective strategy.
- Wholesale water purchase costs increase by 13% as the district transitions to City of Gresham in July of 2026 after ending its lease with City of Portland after 20 years. This move will save the district more than \$200,000 annually by the year 2030.
- Regulatory compliance costs are reduced back to historical levels after the one-time service line inventory to document the lead content of service piping was completed (20k).
- Property & Liability Insurance increased 33% as an additional new facility on Powell Valley Road is expected to be purchased from the City of Gresham.

### Debt service

Debt Service is \$126,000, which includes the repayment of the state Clean Water State Revolving Fund (SRF) for \$110,000, which works similarly to a line of credit. The \$110,000 repayment is interest-only payments set at a rate of 2.74%.

A secondary loan (State Brownfield Loan) repays \$16,000 (\$1,200 monthly) in FY 2025-26 for cleanup related to Bergh property as the proposed site of the district's groundwater wells as the district enters the repayment phase for the \$227,000 loan with an interest rate of 2.0%.



## OTHER FUNDS

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

SUMMARY OF ALL FUNDS					
	2022 - 2023 Actual	2023 - 2024 Adopted	2024-25 Adopted	2025-26 Approved	% Change
General Fund	977,827	1,135,584	1,233,600	1,094,190	-11.3%
GO Debt Service Fund	94,739	96,090	91,160	91,360	0.2%
Water System Imp Fund	350,281	300,048	1,321,350	770,000	-41.7%
Distribution Imp Project	792,269	55,673	3,625,000	2,025,000	-44.1%
<b>TOTAL ALL FUNDS</b>	<b>2,215,116</b>	<b>1,587,395</b>	<b>6,271,110</b>	<b>3,980,550</b>	<b>-36.5%</b>

### WATER SYSTEM IMPROVEMENT FUND (WSIF)- \$0.8 million

Resources in this fund are transfers from the General Fund and disbursements from loan and grant funding agencies. A smaller amount comes from System Development Charges (SDCs) from new customer services. These 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.

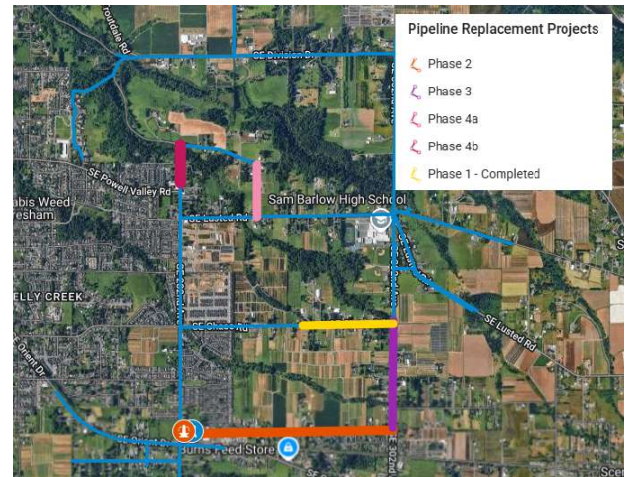
The largest project, Water Supply Transition Project, will develop and refurbish infrastructure to support the transition of the district's water supply from the City of Portland to the City of Gresham including the refurbishment of the Powell Valley Pump Station and Reservoir that is required to accept water supply from the City of Gresham.

Recently completed projects include the soil cleanup of the former Bergh property. This property is proposed as the site of a future groundwater well; however, water rights for this project are uncertain

and under appeal. Upon completion of this project the district was awarded \$60,000 in principle-forgiveness grant by the OBDD Brownfield program.

### DISTRIBUTION IMPROVEMENT PROJECT FUND - \$2.0 million

This fund is financed by a low-interest \$3.4 million OBDD (Oregon Business Development Department) loan. The state pays expenditures as they are incurred. The project includes the replacement of the highest priority grouping of old and leaking water mains and selected improvements to the SCADA (Supervisory Control & Data Acquisition) system. The OBDD has agreed to add to the scope the refurbishment of the Powell Valley Pump Station.



Source: Lusted Water District website

### GENERAL OBLIGATION DEBT SERVICE FUND (Barlow Tank Debt Service Fund) – \$0.9 million

This fund is supported entirely by property taxes and is used to pay GO debt service for the water tank debt. Debt service is \$85,360 for FY 2025-26.

## 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 \$85,000 annually for debt service. The tank was completed in 2012. The remaining debt as of June 30, 2025 is \$320,000.

The district also has two Oregon Business Development loans. These loans are received as reimbursements for approved project expenditures. The total amount of disbursements as of July 1 is \$2,154,117.

## 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?

## LOCAL BUDGET LAW COMPLIANCE

The FY 2025-26 Budget is in substantial compliance with local budget law. Estimates were judged to be reasonable for the purpose shown.

The district has not yet received a completed audit report for FY 23-24. The district anticipates receiving the audit in June.

## CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

TSCC staff notes no deficiencies in the district's FY 2025-26 budget development process, and we recommend the Certification Letter contains no recommendations or objections.

Lusted Water District					
Budget Summary					
	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	%
<u>SUMMARY OF ALL FUNDS</u>	Actual	Actual	Revised	Approved	Change
<b>PROPERTY TAX BREAKDOWN:</b>					
Permanent Rate Property Taxes	35,023	36,135	36,900	37,000	0.3%
GO Debt Property Taxes	84,432	79,891	79,160	82,360	4.0%
Prior Years Property Taxes	0	0	500	500	0.0%
<b>TOTAL PROPERTY TAX</b>	<b>119,455</b>	<b>116,026</b>	<b>116,560</b>	<b>119,860</b>	<b>2.8%</b>
<b>RESOURCES:</b>					
Beginning Fund Balance	793,085	815,951	807,000	779,000	-3.5%
Property Taxes	119,455	116,026	116,560	119,860	2.8%
Fees and Charges	0	0	30,000	30,000	0.0%
Utilities	507,750	548,131	590,000	600,000	1.7%
Other Income	34,228	56,291	51,200	68,690	34.2%
Debt Proceeds	760,598	50,996	4,476,350	2,300,000	-48.6%
Transfers In	0	0	200,000	100,000	-50.0%
<b>TOTAL RESOURCES</b>	<b>2,215,116</b>	<b>1,587,395</b>	<b>6,271,110</b>	<b>3,997,550</b>	<b>-36.3%</b>
<b>REQUIREMENTS BY OBJECT:</b>					
Personnel Services	201,519	208,318	259,224	303,296	17.0%
Materials & Services	271,071	315,148	490,740	504,340	2.8%
Capital Outlay	837,825	130,563	4,866,350	2,765,000	-43.2%
Debt Service	88,750	110,579	159,480	211,360	32.5%
Fund Transfers	0	0	200,000	100,000	-50.0%
Contingencies	0	0	125,000	75,000	-40.0%
Ending Fund Balance	815,951	822,787	170,316	21,554	-87.3%



**TOTAL REQUIREMENTS BY  
OBJECT**

<b>2,215,116</b>	<b>1,587,395</b>	<b>6,271,110</b>	<b>3,980,550</b>	<b>-36.5%</b>
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**SUMMARY OF BUDGET - BY FUND**

General Fund	977,827	1,135,584	1,233,600	1,111,190	-9.9%
GO Debt Service Fund	94,739	96,090	91,160	91,360	0.2%
Water System Imp Fund	350,281	300,048	1,321,350	770,000	-41.7%
Distribution Imp Project	792,269	55,673	3,625,000	2,025,000	-44.1%
<b>GRAND TOTAL ALL FUNDS</b>	<b>2,215,116</b>	<b>1,587,395</b>	<b>6,271,110</b>	<b>3,997,550</b>	<b>-36.3%</b>

**DETAIL OF GENERAL FUND****RESOURCES:**

Beginning Fund Balance	400,826	495,027	550,000	400,000	-27.3%
Property Tax	35,023	36,135	37,400	37,500	0.3%
Fees and Charges	0	0	25,000	25,000	0.0%
Utilities	507,750	548,131	590,000	600,000	1.7%
Other Income	34,228	56,291	31,200	48,690	56.1%
Transfers In	0	0	0	0	0.0%
<b>TOTAL FUND RESOURCES</b>	<b>977,827</b>	<b>1,135,584</b>	<b>1,233,600</b>	<b>1,111,190</b>	<b>-9.9%</b>

**REQUIREMENTS:**

Public Utilities Water System	472,590	523,466	719,964	794,636	10.4%
Debt Service	10,210	29,459	76,000	126,000	65.8%
Transfers Out	0	0	200,000	100,000	-50.0%
Contingencies	0	0	75,000	75,000	0.0%
Ending Fund Balance	495,027	582,659	162,636	15,554	-90.4%
<b>TOTAL FUND REQUIREMENTS</b>	<b>977,827</b>	<b>1,135,584</b>	<b>1,233,600</b>	<b>1,111,190</b>	<b>-9.9%</b>

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

Beginning Fund Balance	10,307	16,199	12,000	9,000	-25.0%
GO Debt Property Taxes	84,432	79,891	79,160	82,360	4.0%
<b>TOTAL FUND RESOURCES</b>	<b>94,739</b>	<b>96,090</b>	<b>91,160</b>	<b>91,360</b>	<b>0.2%</b>

**REQUIREMENTS:**

Debt Services	78,540	81,120	83,480	85,360	2.3%
Ending Fund Balance	16,199	14,970	7,680	6,000	-21.9%
<b>TOTAL FUND RESOURCES</b>	<b>94,739</b>	<b>96,090</b>	<b>91,160</b>	<b>91,360</b>	<b>0.2%</b>