

Budget Review 2024-25

Palatine Hill Water District



BUDGET HIGHLIGHTS

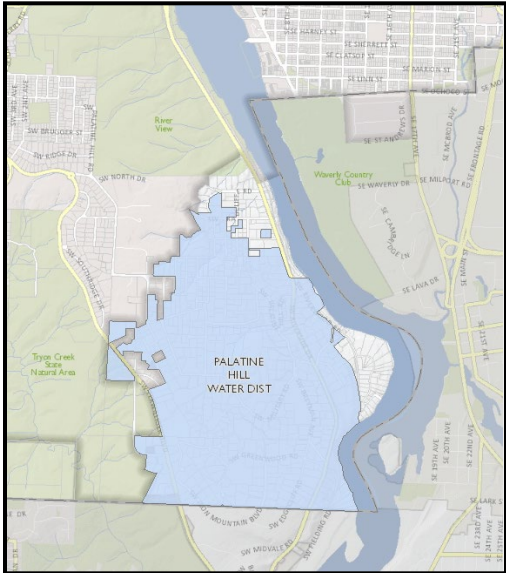
- The district’s FY 25 budget is \$7.3 million, an increase of \$653,723, or 10%.
- The ending fund balance is increasing by \$937 thousand as the district plans for future infrastructure capital projects.
- Water rates charged to customers were last increased in March 2020 and will not rise with this budget.
- The district continues to budget for the System Improvement Fund transfers from the General Fund. The transfer is the same as the current year, \$700,000.
- Capital expenditures will decrease by about 10% from \$3.2 million to \$2.9 million.

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.

Five board members are elected to four-year terms and serve 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. District expenditures are primarily funded by water utility fees and charges.



Palatine Hill Water	2020-21	2021-22	2022-23	2023-24
Assessed Value in Millions	\$662.9	\$684.2	\$706.3	\$733.7
Real Market Value (M-5) in Millions	\$936.2	\$1,014.8	\$1,056.9	\$1,131.2
Property Tax Rate Extended: Operations	\$0.0000	\$0.0000	\$0.0000	\$0.0000

BUDGET OVERVIEW

The district’s FY 25 budget is \$7,271,333, increasing by \$653,723 (10%) from the current year. The district’s ending fund balance is increasing by \$936,723, attributable to capital improvements. The district is saving for future capital projects to replace aging infrastructure and prevent service disruption. Capital spending will decrease by about 10% from \$3.2 million to \$2.9 million as the district continues to work on the system improvement projects. These long-term projects are estimated at \$10.8 million over ten years.

RESOURCES

	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	%
RESOURCES:	Actual	Actual	Revised	Approved	Change
Beginning Fund Balance	2,856,984	3,593,200	4,252,538	4,996,261	17.5%
Fees and Charges	0	26,252	14,072	14,072	0.0%
Utilities	1,339,902	1,449,555	1,505,000	1,405,000	-6.6%
Other Income	3,146	177,542	146,000	156,000	6.8%
Transfers In	500,000	500,000	700,000	700,000	0.0%
TOTAL RESOURCES	4,700,032	5,746,549	6,617,610	7,271,333	9.9%

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

	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	%
REQUIREMENTS BY OBJECT:	Actual	Actual	Revised	Approved	Change
Personnel Services	0	0	0	0	0.0%
Materials & Services	600,716	638,703	810,800	832,800	2.7%
Capital Outlay	6,116	143,777	2,898,000	2,898,000	0.0%
Debt Service	0	0	0	0	0.0%
Fund Transfers	500,000	500,000	700,000	700,000	0.0%
Contingencies	0	0	50,000	50,000	0.0%
Ending Fund Balance	3,593,200	4,464,069	1,853,810	2,790,533	50.5%
TOTAL REQUIREMENTS BY OBJECT	4,700,032	5,746,549	6,312,610	7,271,333	15.2%

Palatine Hill Water District purchases water from the Portland Water Bureau (PWB). Water purchased is budgeted at \$480,000, less than a one percent increase from the current year’s budget cost. The district is anticipating an increase in water purchase from PWB close to a 35-40% rate increase over the next few years. Negotiations are underway to renew the district’s contract with PWB, which expires in 2026. The following table shows the anticipated rate changes through 2028.

Fiscal Year End	2024	2025	2026	2027	2028
Rate	2.263	2.286	2.337	3.433	4.204

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). Each of these is the same amount as the current year’s expenditures.

Capital Expenditures will decrease to \$2.9 million in FY 25 as the district continues to work toward replacing the infrastructure as funds allow. They estimate the need at \$790,000 a year and anticipate a need to either increase water rates or consider a bond levy to fund these future capital projects.

Materials & Services (all budgeted in the General Fund): The cost of water, power, insurance, and maintenance will increase in FY 25. The other items in this category will remain the same as in the current year. Total materials and services growth is 2.7%, from \$810,800 to \$832,800.

GENERAL FUND - \$3,278,837

The General Fund receives 94% of the district's revenue, mainly water sales (the System Improvement Fund gets a small portion of interest and system development fees). The fund totals \$3.3 million. Operational expenses are recorded in the General Fund. They total \$832,800 in the upcoming fiscal year.

GENERAL FUND RESOURCES

Revenue is budgeted to decrease by \$90,000 (6%). Rates have not changed, so decreased revenue would result from reduced volume and is primarily dependent on weather – when the weather is cooler, the district sells less water.

GENERAL FUND REQUIREMENTS

The General Fund expenditures increased from \$810,800 to \$832,800, a 3% increase. The increase in the General Fund is entirely driven by water purchase increases. Materials & services expenditures are estimated at 53% of the budgeted revenue. This allows the district to transfer \$700,000 to the System Improvement Fund. The district uses this annual surplus to pay for all system improvements, forgoing its tax authority or borrowing power. The district will still leave an ending fund balance of \$1,696,037 in the General Fund, more than double the amount budgeted for operating expenditures in 2024-25. The district is saving for long-term capital expenditures for infrastructure repairs.

OTHER SIGNIFICANT BUDGET AREAS

SYSTEM IMPROVEMENT FUND - \$3,992,496

The System Improvement Fund is used 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 ten years. As the budget message indicates, the General Fund surplus needed to support the remaining long-term projects is approximately \$790,000 per year. The board may need to consider a bond levy or an increased rate charged to customers to fund these future projects. The district anticipates spending \$2.9 million towards these improvements in FY 25. On the following is a list of the improvement projects they anticipate for FY 25.

System Improvement Fund Projects FY 25

Locate and Raise Valve Boxes	\$ 35,000
Master Plan Piping Improvement P2 (Military Road, Esquiline to Aventine)	765,000
Piping Improvement - Condition and Age (Breyman Ave, Edgecliff to 12640 Riverside Dr)	865,000
Fire Hydrant Replacements	100,000
2-inch Main Replacements	450,000
Miscellaneous Improvements and Upgrades	158,000
Telemetry/SCADA Upgrades	25,000
Meter Replacement/AMI Infrastructure	<u>500,000</u>
	\$ 2,898,000

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?
x		Are contingencies shown only in operating funds?
x		Did the budget committee approve the budget?
x		Does the audit show the district was in compliance with budget law?

LOCAL BUDGET LAW COMPLIANCE

The FY 2024-25 Budget is in substantial compliance with local budget law. Estimates were judged to be reasonable for the purpose shown.

The audit report for FY 2022-23 indicates no exceptions.

CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

TSCC staff notes no deficiencies in the district’s FY 2024-25 budget development process and recommends the certification letter contain no recommendations or objections.

Palatine Hill Water District

Budget Summary

<u>SUMMARY OF ALL FUNDS</u>	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	%
<u>PROPERTY TAX BREAKDOWN:</u>	Actual	Actual	Revised	Approved	Change
TOTAL PROPERTY TAX	0	0	0	0	0.0%
RESOURCES:					
Beginning Fund Balance	2,856,984	3,593,200	4,252,538	4,996,261	17.5%
Fees and Charges	0	26,252	14,072	14,072	0.0%
Utilities	1,339,902	1,449,555	1,505,000	1,405,000	-6.6%
Other Income	3,146	177,542	146,000	156,000	6.8%
Transfers In	500,000	500,000	700,000	700,000	0.0%
TOTAL RESOURCES	4,700,032	5,746,549	6,617,610	7,271,333	9.9%
REQUIREMENTS BY OBJECT:					
Materials & Services	600,716	638,703	810,800	832,800	2.7%
Capital Outlay	6,116	143,777	3,203,000	2,898,000	-9.5%
Fund Transfers	500,000	500,000	700,000	700,000	0.0%
Contingencies	0	0	50,000	50,000	0.0%
Ending Fund Balance	3,593,200	4,464,069	1,853,810	2,790,533	50.5%
TOTAL REQUIREMENTS BY OBJECT	4,700,032	5,746,549	6,617,610	7,271,333	9.9%
SUMMARY OF BUDGET - BY FUND					
General Fund	2,616,312	3,049,348	3,347,634	3,278,837	-2.1%
System Improvement Fund	2,083,720	2,697,201	3,269,976	3,992,496	22.1%
GRAND TOTAL ALL FUNDS	4,700,032	5,746,549	6,617,610	7,271,333	9.9%
DETAIL OF GENERAL FUND					
RESOURCES:					
Beginning Fund Balance	1,284,019	1,515,596	1,780,634	1,801,837	1.2%
Utilities	1,339,902	1,449,555	1,505,000	1,405,000	-6.6%
Other Income	(7,609)	84,197	62,000	72,000	16.1%
Transfers In	0	0	0	0	0.0%
TOTAL FUND RESOURCES	2,616,312	3,049,348	3,347,634	3,278,837	-2.1%
REQUIREMENTS:					
Public Utilities Water System	600,716	638,703	810,800	832,800	2.7%
Transfers Out	500,000	500,000	700,000	700,000	0.0%
Contingencies	0	0	50,000	50,000	0.0%
Ending Fund Balance	1,515,596	1,910,645	1,786,834	1,696,037	-5.1%
TOTAL FUND REQUIREMENTS	2,616,312	3,049,348	3,347,634	3,278,837	-2.1%