

Budget Review 2023-24

Valley View Water District



HIGHLIGHTS

- The district's FY 2023-24 Approved Budget is \$2.6 million, an increase of \$369,861 (16.6%), reflecting increased wholesale water rates, capital outlay, and contingency for future projects.
- Valley View Water will continue to impose \$400,000 in property taxes for FY 2023-24 to meet debt obligations and provide funding for the Shattuck/Windsor Water Main Replacement Project. The amount is the same as the current year which, depending on assessed values, will likely decrease the tax rate imposed in the district.
- Capital costs are budgeted at \$1 million for FY 2023-24 as the district spends down the fund balance for planned projects.
- Debt service payments reduce by \$51 thousand as one of three loans was fully paid off in December 2022.
- Customer water rates will not increase in the FY 2023-24 budget.
- The district anticipates completion of its Master Plan in spring 2024.

INTRODUCTION & BACKGROUND

Valley View Water District serves a four-square-mile residential area in Southwest Multnomah County. The district is nestled between the City of Portland and Washington County.

The Valley View Water District is a water storage and distribution district. It is governed by five board members elected to four-year terms which serve without compensation.

Valley View Water District serves 385 water customers and 27 City of Portland's Water Bureau customers connected to the district's distribution system.

The district purchases its water from the City of Portland under a 20-year contract that originated in 2007. Hiland Water Corporation provides day-to-day operations management and services under a five-year contract that started in July 2019.



Unique among taxing districts, the Valley View Water District has rarely levied its entire property tax authorization. The district prepares its annual budget and determines how much it needs in property taxes to balance that budget. The district then requests that the county assessor levy only that amount. The county assessor determines a levy rate that will generate the request. Over the last five years, that rate has been seven to seventeen cents less than the authorized \$1.7389 rate, generating average savings to district taxpayers of \$27,603 each year.

Valley View Water District						
Annual Property Taxes						
	Assessed Value (\$000)	Permanent Rate Limits		District Requested Levy		Annual Savings to
		Rate	Levy Amt	Rate	Levy Amt	
2018	\$ 216,080	1.7389	\$ 376,000	1.6243	\$ 351,000	\$ 25,000
2019	\$ 224,123	1.7389	\$ 390,000	1.6285	\$ 364,985	\$ 25,015
2020	\$ 231,983	1.7389	\$ 403,000	1.5733	\$ 365,000	\$ 38,000
2021	\$ 240,122	1.7389	\$ 418,000	1.6658	\$ 400,000	\$ 18,000
2022	\$ 248,305	1.7389	\$ 432,000	1.6109	\$ 400,000	\$ 32,000
Five year Savings to district taxpayers						\$ 138,015
Average Annual Savings:						\$ 27,603

The district balances the costs of operating, maintaining, and upgrading its system between current and future customers. Current system customers pay for:

- System operation and the cost of water through water rates
- Debt service on past system improvements through property taxes
- Minor capital improvement through property taxes
- Future capital projects through surplus revenue added to fund balance

The use of debt financing assures future customers will pay their share of today's improvements.

Valley View Water District originally planned to update its Master Plan in FY 2020-21 and FY 2021-22 but was delayed until completion of renovation and repair projects. The district is currently working on the update and anticipates completion of its new Master Plan in spring 2024.

Valley View Water	2019-20	2020-21	2021-22	2022-23
Assessed Value in Millions	\$232.0	\$240.1	\$248.3	\$255.7
Real Market Value (M-5) in Millions	\$360.8	\$362.6	\$424.3	\$442.7
Property Tax Rate Extended:				
Operations	\$1.5733	\$1.6658	\$1.6109	\$1.5642

BUDGET OVERVIEW

The district's FY 2023-24 budget is \$2.6 million, increasing 16.6%, or almost \$370,000 from the current year. The increase reflects increased budgets for wholesale water rates, capital outlay, and contingency for future projects. The district has a history of well-managed finances and infrastructure upgrades. It has balanced the use of its three revenue sources: water rate revenues, debt proceeds, and property taxes.

The water district has no personnel services costs. Hiland Water Corporation provides for the district's daily operating needs at a cost of \$5,500/month, up from \$5,200/month in the current year. The current contract runs through FY 2023-24. The district also contracts out administration and accounting functions to an Administrative Officer, currently the board chair, a relationship duly noted as a related party

transaction in the annual audit. The Administrative Officer contracted work is budgeted at \$12,600 for FY 2023-24, a \$300 increase from the prior year.

This budget includes a projected increase of almost \$38,000 in the cost of water purchased from the City of Portland. The rate is expected to increase 25.5% from \$1.888/CCF to \$2.370/CCF. The district multiplied the rate by a guaranteed annual minimum volume of 79,055/CCF required under contract with the Portland Water Bureau. The 20-year contract was originated in FY 2006-07 and the guaranteed minimum volume to be purchased by the district reflected strong water sales in the two years preceding the contract. In the 17 years since the contract was initiated, the district has reduced its leak loss factor by half and district water users have decreased the amount of water used through more efficient appliances and other conservation measures. The district forecasts it will actually use a water volume of about 61,000/CCF; however, the district remains obligated to purchase the minimum annual guaranteed volume from Portland.

The district has budgeted \$1,043,000 in capital improvements in FY 2023-24. The district has set a reserve threshold of \$1,250,000 to \$1,500,000 for the Shattuck Road/Windsor Court project scheduled for construction in FY 2023-24 and FY 2024-25. This budget includes \$500,000 for the initial phase of the project; the remaining \$530,000 budgeted in capital outlay can be used if expenses are higher than expected but will likely flow to ending fund balance in anticipation of next year's capital needs. The approved budget includes contingency/ending fund balance of \$1,035,645, an increase of just over \$186,000. The increased balance results from unused capital improvement dollars in the current year being carried forward.

GENERAL FUND

GENERAL FUND RESOURCES

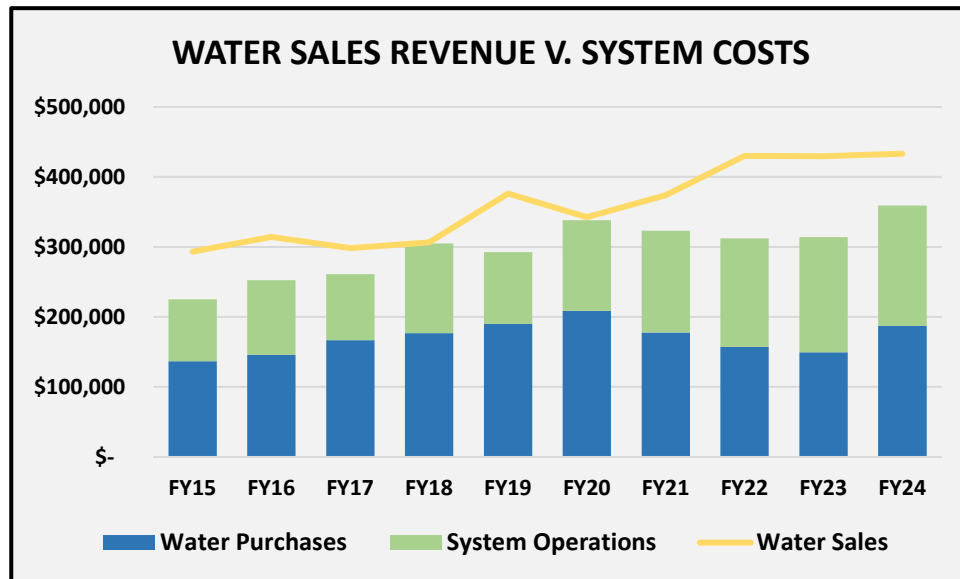
Historically, property taxes and water sales account for about 97% of General Fund revenues.

The district has set its water rates to cover operating costs and its property tax rate to cover debt service¹ and capital costs. The district uses fund balance drawdowns to pay for capital projects. Any resulting surplus goes to fund balance.

GENERAL FUND REQUIREMENTS

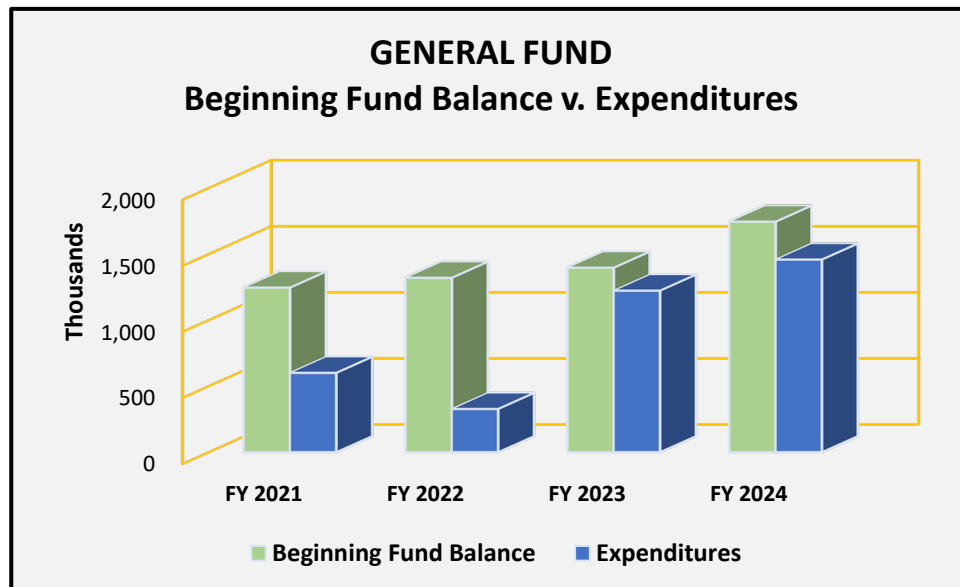
The chart below shows how the district matches rate revenues to system costs. General Fund requirements include the cost of water, engineering expenses for developing the master plan, system maintenance, contracted services for administration and billing, debt service and capital expenditures.

¹ The district's loans are full faith and credit loans from the state. They are not general obligation debt. But the district uses its permanent levy taxes to pay the debt service.



Historically, district operating revenues come in well above yearly operating expenditures.

The fund balance in the General Fund is considered unreserved as there are no third party or statutory restrictions on it, but the district has informally reserved it for a future reservoir replacement project. The district begins each year with the funds necessary to cover expenditures, as shown above. This ratio is one of the reasons the agency doesn't have to levy its total property tax rate.



The district purchases its water from the City of Portland. Portland Water Bureau adjusts the cost of water annually. Valley View Water has either absorbed these increases or administers small increases in its rates. The chart below shows the increased cost of purchasing water and the district's increases in customer rates. The district will not be increasing water rates in FY 2023-24, similar to the current fiscal year. Valley View Water District anticipates that the City rate will increase significantly in FY 2024-25 through FY 2027-28 as the new Washington Park Reservoir, Treatment Plant and Filtration Plant go into service.

Water Purchase & Sales		
Annual Rate Change		
	PWB	VVW
	Wholesale	Customers
FY15	4.1%	0.0%
FY16	6.6%	4.8%
FY17	11.7%	10.5%
FY18	9.2%	6.2%
FY19	6.7%	6.1%
FY20	10.1%	5.7%
FY21	-13.9%	10.0%
FY22	-11.0%	16.3%
FY23	-5.1%	0.0%
FY24	25.4%	0.0%

OTHER SIGNIFICANT BUDGET AREAS

SYSTEMS DEVELOPMENT FUND

Valley View Water District budgets expenses in only one other fund: the Systems Development Fund, which has \$13,175 budgeted for FY 2023-24. The fund tracks receipt of systems development fees, which fund system improvements. Interest earned from investments is the only other revenue source. The district has \$13,000 available for capital improvements in this fund for FY 2023-24, consistent with current year levels.

DEBT STATUS

The district acquired three State of Oregon loans to fund water system projects between 2003 and 2011. The original issues totaled \$2.2 million. The agency structured the loans so that total payments would be the same amount each year (\$157,787). The loans are staggered to end in 2022, 2030, and 2032. The first of the loans was fully paid December 1, 2022, reducing the amount needed for debt service by almost \$51,500 in FY 2023-24.

VALLEY VIEW WATER DISTRICT				
Debt Summary				
	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Debt Outstanding	1,126,211	1,014,646	898,522	704,129
Debt Service Payments	157,786	157,787	157,787	106,314

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 G.O. 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?
X		Does the audit show the district was in compliance with Local Budget Law?

LOCAL BUDGET LAW COMPLIANCE

The 2023-2024 Approved Budget substantially complies with local budget law. Estimates were judged to be reasonable for the purpose shown.

The audit report for the fiscal year ending 6-30-2022 does not note any budget law violations.

CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

TSCC staff did not find any deficiencies in the district's FY 2023-24 budget or budget process, and suggest the Certification Letter contains no recommendations or objections.

Valley View Water District Budget Summary

TSCC Dist. #52

	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	%
	Actual	Actual	Revised	Approved	Change
SUMMARY OF ALL FUNDS					
PROPERTY TAX BREAKDOWN:					
Permanent Rate Property Taxes	379,273	381,762	382,000	382,000	0.0%
Prior Years Property Taxes	4,925	4,842	4,000	4,000	0.0%
TOTAL PROPERTY TAX	384,198	386,604	386,000	386,000	0.0%
RESOURCES:					
Beginning Fund Balance	1,244,637	1,319,329	1,395,579	1,743,830	25.0%
Property Taxes	384,198	386,604	386,000	386,000	0.0%
Fees and Charges	0	0	12,000	12,000	0.0%
Utilities	438,167	458,320	429,460	433,060	0.8%
Other Income	9,602	(7,554)	6,255	24,265	287.9%
TOTAL RESOURCES	2,076,604	2,156,699	2,229,294	2,599,155	16.6%
REQUIREMENTS BY OBJECT:					
Materials & Services	296,030	274,325	368,866	414,196	12.3%
Capital Outlay	303,458	54,375	853,000	1,043,000	22.3%
Debt Service	157,787	155,030	157,787	106,314	-32.6%
Contingencies	0	0	840,000	1,030,000	22.6%
Ending Fund Balance	1,319,329	1,672,969	9,641	5,645	-41.4%
TOTAL REQUIREMENTS BY OBJECT	2,076,604	2,156,699	2,229,294	2,599,155	16.6%
SUMMARY OF BUDGET - BY FUND					
General Fund	1,975,468	2,155,556	2,216,134	2,585,980	16.7%
System Development Charge Fund	101,136	1,143	13,160	13,175	0.1%
GRAND TOTAL ALL FUNDS	2,076,604	2,156,699	2,229,294	2,599,155	16.6%
DETAIL OF GENERAL FUND					
RESOURCES:					
Beginning Fund Balance	1,143,906	1,318,193	1,394,424	1,742,670	25.0%
Property Tax	384,198	386,604	386,000	386,000	0.0%
Utilities	438,167	458,320	429,460	433,060	0.8%
Other Income	9,197	(7,561)	6,250	24,250	288.0%
Transfers In	0	0	0	0	0.0%
TOTAL FUND RESOURCES	1,975,468	2,155,556	2,216,134	2,585,980	16.7%
REQUIREMENTS:					
Public Utilities Water System	499,488	325,946	1,208,866	1,444,196	19.5%
Debt Service	157,787	157,784	157,787	106,314	-32.6%
Contingencies	0	0	840,000	1,030,000	22.6%
Ending Fund Balance	1,318,193	1,671,826	9,481	5,470	-42.3%
TOTAL FUND REQUIREMENTS	1,975,468	2,155,556	2,216,134	2,585,980	16.7%

