

Budget Review 2025-26

Valley View Water District



HIGHLIGHTS

- Valley View Water's FY2025-26 Approved Budget is \$3.34 million, a decrease of \$1.11 million (25%) from FY2024-25, reflecting the completion of the SW Shattuck/Windsor Water Line Replacement Project and reduced capital improvement allocations.
 - The SW Shattuck/Windsor Project was completed in FY2024-25 at a total cost of \$1.79 million—well under the original \$2.91 million estimate. It included replacement and upsizing of mains on multiple streets and a new fire hydrant. The project was funded by \$788,567 from district reserves and a \$1 million loan.
- The district will continue to impose \$400,000 in property taxes for FY26 to meet debt obligations, fund capital reserves, and support infrastructure replacements. The property tax revenue is estimated at \$382,000 after a 4.5% discount/delinquency rate.
- Capital expenditures for FY26 are budgeted at \$50,000, a reduction from \$1.63 million in the prior year, with planned spending focused on hydrant and meter replacements. An additional \$1.36 million is budgeted for general contingency.
- Debt service payments will increase to \$189,849 in FY26, up from \$106,314 in the prior year, due to the addition of a new loan (called "Loan No. 4" by the district) for the Shattuck/Windsor project. This includes \$98,016 in principal and \$91,833 in interest.
- Customer water rates will not increase in the FY26 budget, despite a 5.23% increase in the wholesale water rate from the Portland Water Bureau (PWB). The district has absorbed wholesale water cost increases for four consecutive years.
 - Wholesale water purchase costs are budgeted at \$198,808, up from \$188,927 in FY 25. This reflects PWB's rate increase from \$2.39 to \$2.515 per CCF and the district's guaranteed minimum purchase volume.

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. Board members receive compensation of up to \$595 annually.

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 provided day-to-day



operations management and services under a five-year contract that started in July 2019. In October 2023, NW Natural Water Services acquired Hiland Water Corporation and took over the district contract with Hiland. There were no personnel or operational changes.

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 twenty-four cents less than the authorized \$1.7389 rate, generating an average savings to district taxpayers of \$46,000 annually.

Valley View Water District						
Annual Property Taxes						
Year Taxes collected	Assessed Value (\$000)	Permanent Rate Limits		District Requested Levy		Annual Savings to Taxpayers
		Rate	Levy Amt	Rate	Levy Amt	
2020-21	\$ 240,122	1.7389	\$ 418,000	1.6658	\$ 400,000	\$ 18,000
2021-22	\$ 248,305	1.7389	\$ 432,000	1.6109	\$ 400,000	\$ 32,000
2022-23	\$ 255,715	1.7389	\$ 445,000	1.5642	\$ 400,000	\$ 45,000
2023-24	\$ 264,615	1.7389	\$ 460,000	1.5116	\$ 400,000	\$ 60,000
2024-25	\$ 273,182	1.7389	\$ 475,000	1.4642	\$ 400,000	\$ 75,000
Five Year Savings to District Taxpayers						\$ 230,000
Average Annual Savings:						\$ 46,000

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

Debt financing assures future customers will pay their share of today's improvements.

Valley View Water District initially planned to update its Master Plan during FY 2020-21 and FY 2021-22, but the update was deferred while the district focused on completing major infrastructure improvements. With the completion of Phase IV of the Intermediate Term Improvement Program—the SW Shattuck/Windsor Water Line Replacement Project—in November 2024, the district has resumed its Master Plan update. The updated Master Plan is expected to be completed by late spring 2025.

Valley View Water	2021-22	2022-23	2023-24	2024-25
Assessed Value in Millions	\$248.3	\$255.7	\$264.6	\$273.2
Real Market Value (M-5) in Millions	\$424.3	\$442.7	\$451.3	\$445.3
Property Tax Rate Extended:				
Operations	\$1.6109	\$1.5642	\$1.5116	\$1.4642

BUDGET OVERVIEW

The district's FY2025-26 budget is \$3.34 million, a decrease of \$1.11 million (25%) from the prior year. This reduction reflects the completion of the SW Shattuck/Windsor capital project and a scaled-back capital improvement plan. The decrease also corresponds with the absence of new debt proceeds on the resource side. The district continues to budget prudently for contingency and capital reserves. Valley View Water District has a long-standing record of fiscally responsible management and infrastructure investment, leveraging a stable mix of water rate revenues, property taxes, and loan financing.

The district has no personnel services costs. Since July 2019, the district's daily operations have been managed under contract. In October 2023, NW Natural Water Services, LLC (NWNWS) acquired Hiland Water Corporation, and the district's contract was assigned without changes in personnel or operations. The contract was renewed through December 31, 2029, and the district is budgeting \$76,500 for FY26, or \$6,375/month—a modest increase over prior years.

Administrative and financial oversight is contracted to an Administrative Officer, currently the board chair. This related-party transaction is disclosed in the district's annual audit. For FY26, the district budgets \$18,000 for these services—up from \$16,800 in FY25.

The cost of water purchased from the Portland Water Bureau (PWB), the district's only source of water, is projected to increase by \$9,881 (5.23%) to \$198,808 in FY26. The wholesale rate will increase from \$2.390 to \$2.515 per CCF, multiplied by the district's guaranteed annual minimum volume of 79,055 CCF.

The contract with PWB, in effect since FY2006-07, requires a minimum purchase volume based on above-average water use in prior years. Over time, the district has reduced its leak loss factor by half, while customer usage has declined due to conservation and efficient appliances. Though current usage is forecasted around 61,000 CCF, the district remains obligated to purchase the minimum volume.

A new 30-year Water Service Agreement beginning July 1, 2026, has been approved by all 17 wholesale districts, including Valley View. Notably, the new agreement eliminates the guaranteed purchase requirement and consolidates the individual cost centers into two regional groups (East and West)—changes that will provide financial relief and predictability for the district.

Capital expenditures for FY26 are budgeted at \$50,000, focusing on hydrant and meter replacements. The district completed the SW Shattuck/Windsor Project in November 2024 for \$1.79 million, significantly below the original \$2.91 million estimate. It included replacing and upsizing mains along five streets and installing a new fire hydrant. The district funded the project with \$788,567 in capital reserves and a \$1 million loan (referred to as Loan No. 4 by the district) from Business Oregon.

The Approved FY26 budget includes \$1.36 million in contingency appropriations and is projected to maintain an ending fund balance of \$2,826. Capital reserves as of December 31, 2024, totaled \$1.76 million, exceeding the board's reserve policy goal of \$1.25 to \$1.5 million.

GENERAL FUND

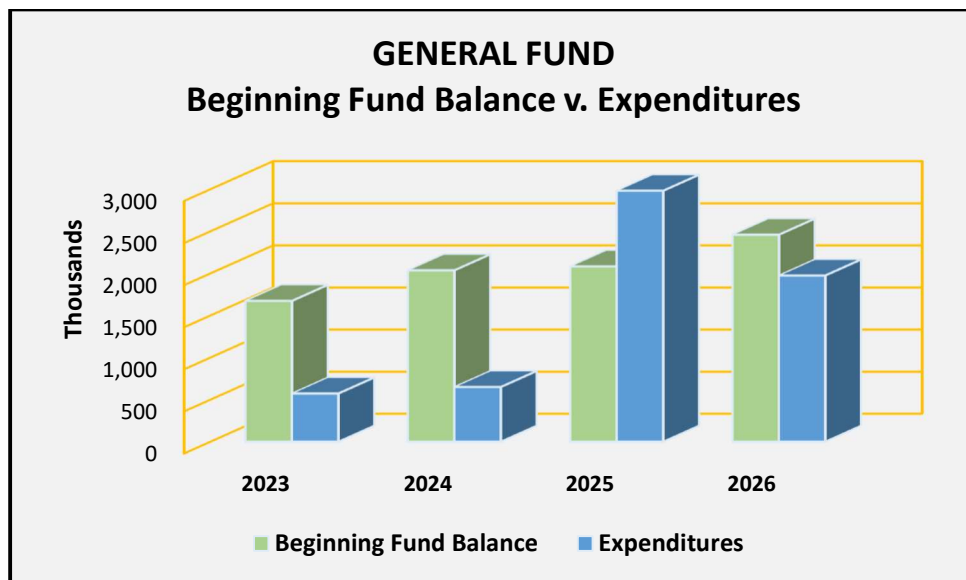
GENERAL FUND RESOURCES

Historically, property taxes and water sales account for about 95% 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 the fund balance. This budget decreased by \$1.5 million in debt proceeds due to the completion of the SW Shattuck/Windsor Project.

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, system maintenance, contracted services for administration and billing, debt service and capital expenditures.



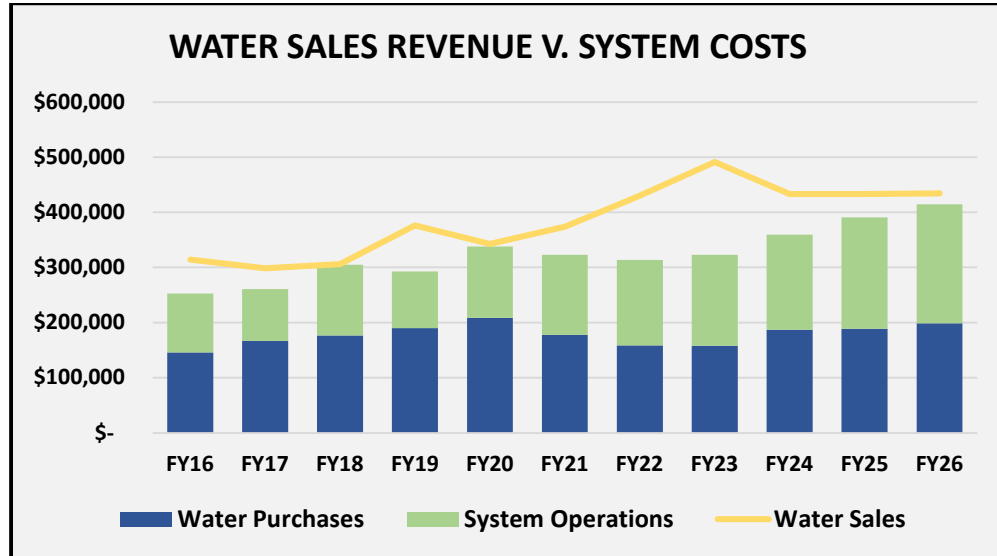
Historically, district operating revenues come in well above yearly operating expenditures. The district completed its SW Shattuck/Windsor Capital Project, which was budgeted at \$1,788,567. Of this amount, approximately \$788,567 was funded from operating revenues (via the General Fund), and \$1,000,000 came from Loan No. 4 secured through Business Oregon's Safe Drinking Water Revolving Loan Fund. This was a reduction from the originally projected \$2.9 million total cost, which would have required a \$1.5 million loan and \$1.4 million in district funding.

The fund balance in the General Fund is considered unreserved as there are no third-party or statutory restrictions, 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 administered small rate increases. The

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

following chart shows the increased cost of purchasing water and the district's increases in customer rates. The district will not increase water rates in FY26. Valley View Water District anticipates that the city rate will increase significantly in FY2026-27 through FY 2029-30 as the new Bull Run Filtration Project is built.



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%
FY25	0.8%	0.0%
FY26	5.23%	0.0%

OTHER SIGNIFICANT BUDGET AREAS

SYSTEMS DEVELOPMENT FUND

Valley View Water District budgets expenses in only one other fund: the System Development Charge (SDC) Fund, which has \$13,315 in total resources estimated for FY26, a slight increase from the prior year's \$13,255. This fund tracks the receipt of system development charges, which are used exclusively to finance capital improvements that expand or upgrade the District's water distribution infrastructure.

System development charges of \$12,000 and \$45 in interest comprise the fund’s revenue for FY26. The District has budgeted \$13,000 in this fund for capital improvements, consistent with prior year allocations. The budget in this fund is only used if new construction occurs in the district providing SDC revenue.

DEBT STATUS

The district secured three loans from the State of Oregon between 2003 and 2011 to fund major phases of its Intermediate Term Improvement Program (ITIP), with original issuances totaling approximately \$2.27 million. These included:

- Loan No. 1 (\$692,750), issued in FY 2002-03 and fully repaid on December 1, 2022, funded Phase I and reduced the District’s annual debt service requirements by \$51,500 starting in FY 2023-24;
- Loan No. 2 (\$788,000), issued in FY 2007-08, funds Phase II and is scheduled to be repaid by December 1, 2032;
- Loan No. 3 (\$750,000), issued in FY 2009-10, funds Phase III and will be fully repaid by December 1, 2030.

In FY 2024-25, the District authorized and incurred Loan No. 4 for \$1,000,000—not \$1.5 million as originally projected—to finance the SW Shattuck/Windsor Project (Phase IV). This loan was finalized following project completion in November 2024 and carries a 30-year term with a 4.10% interest rate. First principal and interest payments are budgeted in FY26 and total \$83,534.

The following chart shows the district's outstanding debt as of June 30, 2025.

VALLEY VIEW WATER DISTRICT				
Debt Summary				
	6/30/2022	6/30/2023	6/30/2024	6/30/2025
Debt Outstanding	1,014,646	898,522	704,129	1,626,797
Debt Service Payments	157,787	157,787	106,314	189,849

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		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 2025-26 Approved Budget substantially complies with local budget law. Estimates were judged to be reasonable for the purpose shown. However, the LB-10 form for the System Development Charge Fund contains a typo in the adopted FY 2024–25 figures: total resources are listed as **\$13,255**, while total

requirements are shown as **\$13,225**. Since this is in a prior year and not material to the FY 26 Budget, TSCC staff are not recommending any action by the Commissioners. TSCC staff have notified Valley View staff of the typo and requested they adjust the error for the Adopted Budget.

The audit report for the fiscal year ending 6-30-2024 does not note any budget law violations.

CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

TSCC staff did not find any deficiencies in the district's FY 2025-26 budget or budget process and suggest the Certification Letter contains no recommendations or objections.

Valley View Water District					
Budget Summary					
	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	%
<u>SUMMARY OF ALL FUNDS</u>	Actual	Actual	Revised	Approved	Change
PROPERTY TAX BREAKDOWN:					
Permanent Rate Property Taxes	383,100	382,278	382,000	382,000	0.0%
Prior Years Property Taxes	0	0	4,000	4,000	0.0%
TOTAL PROPERTY TAX	383,100	382,278	386,000	386,000	0.0%
RESOURCES:					
Beginning Fund Balance	1,672,969	2,035,781	2,082,942	2,459,355	18.1%
Property Taxes	383,100	382,278	386,000	386,000	0.0%
Fees and Charges	0	0	12,000	12,000	0.0%
Utilities	491,036	491,696	433,210	434,148	0.2%
Other Income	59,893	109,255	48,280	60,295	24.9%
Debt Proceeds	0	0	1,500,000	0	-100.0%
TOTAL RESOURCES	2,606,998	3,019,010	4,462,432	3,351,798	-24.9%
REQUIREMENTS BY OBJECT:					
Materials & Services	317,201	415,834	409,987	420,808	2.6%
Capital Outlay	99,862	127,992	2,388,874	1,375,500	-42.4%
Debt Service	154,154	104,590	194,720	189,849	-2.5%
Contingencies	0	0	1,465,000	1,362,500	-7.0%
Ending Fund Balance	2,035,781	2,370,594	3,851	3,141	-18.4%
TOTAL REQUIREMENTS BY OBJECT	2,606,998	3,019,010	4,462,432	3,351,798	-24.9%
<u>SUMMARY OF BUDGET - BY FUND</u>					
General Fund	2,605,820	3,017,773	4,449,177	3,338,483	-25.0%
System Development Charge Fund	1,178	1,237	13,255	13,315	0.5%
GRAND TOTAL ALL FUNDS	2,606,998	3,019,010	4,462,432	3,351,798	-24.9%
<u>DETAIL OF GENERAL FUND</u>					
RESOURCES:					
Beginning Fund Balance	1,671,826	2,034,603	2,081,717	2,458,085	18.1%

Property Tax	383,100	382,278	386,000	386,000	0.0%
Utilities	491,036	491,696	433,210	434,148	0.2%
Other Income	59,858	109,196	48,250	60,250	24.9%
Debt Proceeds	0	0	1,500,000	0	-100.0%
Transfers In	0	0	0	0	0.0%
TOTAL FUND RESOURCES	2,605,820	3,017,773	4,449,177	3,338,483	-25.0%
REQUIREMENTS:					
Public Utilities Water System	417,063	543,826	2,785,606	1,783,308	-36.0%
Debt Service	154,154	104,590	194,720	189,849	-2.5%
Contingencies	0	0	1,465,000	1,362,500	-7.0%
Ending Fund Balance	2,034,603	2,369,357	3,851	2,826	-26.6%
TOTAL FUND REQUIREMENTS	2,605,820	3,017,773	4,449,177	3,338,483	-25.0%