

Budget Review 2022-23

Valley View Water District



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.



Valley View Water	2018-19	2019-20	2020-21	2021-22
Assessed Value in Millions	\$224.1	\$232.0	\$240.1	\$248.3
Real Market Value (M-5) in Millions	\$368.2	\$360.8	\$362.6	\$424.3
Property Tax Rate Extended:				
Operations	\$1.6423	\$1.5733	\$1.6658	\$1.6658
Measure 5 Loss	\$0	\$0	\$0	\$0

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

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.

STRATEGIC PLAN / PERFORMANCE OBJECTIVES

Based on the System Master Plan finalized in 2000, the district has completed four capital improvement projects. The first three projects were primary water line rehabilitation or replacements and upsizing, and the most recent project was the rehabilitation of the district's storage reservoir. The agency used debt financing and reserve drawdown for these projects.

Valley View Water District has been working toward updating the Master Plan but was delayed until it completed the renovation and repair projects. As a result, the FY 23 budget includes \$50,000 earmarked for planning and engineering of the Master Plan. They anticipate this will cover half of the expenditure, with the remainder budgeted in FY 24.

In the current year, the district spent \$50,000 on fire hydrant replacements and \$197,415 on completing the SW Thomas /Winsor Project water main replacement as specified in the 2000 Master Plan. The district's next goal is to replace secondary distribution lines. Upsizing the 4" and 6" lines must occur to meet current fire flow standards. They plan to pay-as-you-go for most of these lines, with some use of debt if necessary. These upgrades will happen in the next 10 to 12-year period.

The district has set a reserve threshold of \$1,250,000 to \$1,500,000, used for the Shattuck Road/Winsor Court project scheduled for FY 24.

BUDGET OVERVIEW

The district's FY 23 budget is \$2.2 million, increasing 11% or \$225,000 from the current year as the district builds reserves to cover future capital projects. The district budgets \$850,000 in Capital Improvements. The budget message states they do not anticipate spending this in the current year. By budgeting this in Capital expenditures, it is available if needed but will be added to the ending fund balance/reserve if not used. In the Approved Budget the Contingency/Ending Fund Balance is increasing by \$113,474 or 15%. This is a result of unused Capital Improvement dollars in the current year being carried forward.

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.

This budget includes a projected \$32,000 decrease in the cost of water purchased from the City of Portland as it adjusts its rates charged to customers. The Valley View Water District is anticipating only a temporary reduction in rates charged by the city. The rate in FY 23 will drop five percent from \$1.991 to \$1.890 using the CCF guaranteed minimum volume of 79.055 CCF purchased by the district.

The water district has no personnel services costs. The contract with Hiland Water Corporation for the district's daily operations cost is \$5,200 a month for FY 23, and the contract runs through FY 24. The district also contracts out administration and accounting functions to the board chair, a relationship duly noted as a related party transaction in the annual audit.

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.

GENERAL FUND

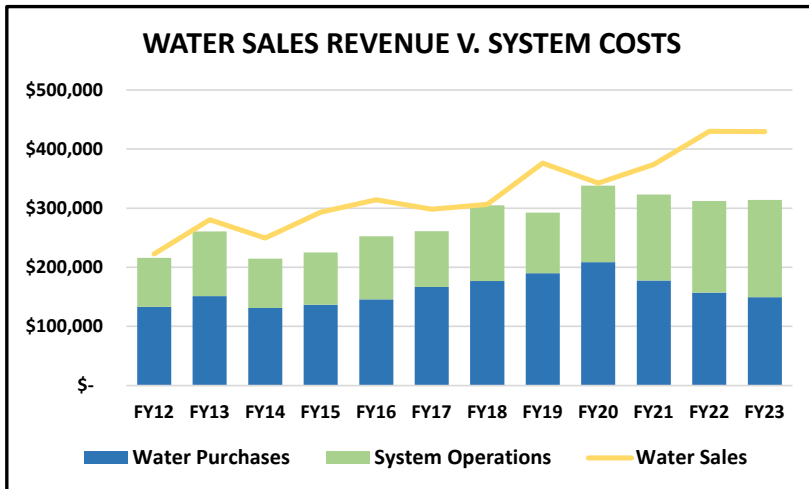
GENERAL FUND RESOURCES

Historically, property taxes and water sales account for 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 the fund balance.

GENERAL FUND REQUIREMENTS

The chart on the right 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.

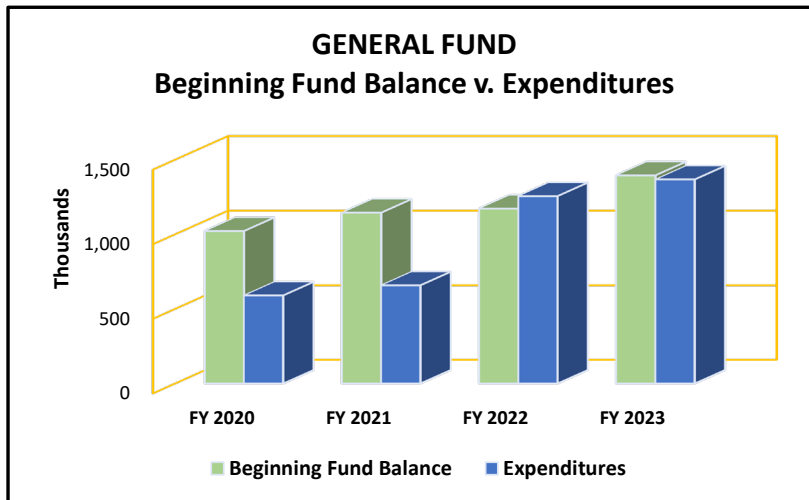


Historically, the district has maintained a fund balance well above yearly operating expenditures. However, due to budgeted capital project expenditures, expenditures see a large increase in FY 22 and FY 23, with the FY 22 expenditures totaling more than the budgeted annual new revenues of property tax and utilities. However, as mentioned in the budget message, the agency does not anticipate spending all dollars set aside for capital improvements in the coming fiscal year so there is a good possibility that the actual FY 23 ending fund balance will be higher than budgeted.

VALLEY VIEW WATER DISTRICT				
General Fund Beginning Fund Balance				
	FY 2020	FY 2021	FY 2022	FY 2023
	Actual	Actual	Rev. Budget	Apr. Budget
Beginning Fund Balance	1,020,995	1,143,906	1,171,563	1,394,424
Expenditures	589,410	657,275	1,255,024	1,366,653
Percent of Operating Exp.	173%	174%	93%	102%

The General Fund's balance is unreserved (there are no third party or statutory restrictions on it), but the district has informally reserved it for a future reservoir replacement project.

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.



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 usually raises the cost of water annually. Valley View Water has either absorbed these increases or administers small increases in its rates. The budget

message gives a percentage for rate increases charged to customers beginning with FY 16. The chart on the right shows the increased cost of purchasing water and the district's increases in customer rates. (For FY 12 through FY 14, the customer charge information is not available) Even though the City of Portland reduced the rate charged for purchasing water, the district increased the rates charged to customers by 16% in the current year. The escalation paid for Valley View Water's contractual obligations and inflationary increases in expenditures. The district will not be increasing water rates in FY 23.

Water Purchase & Sales		
Annual Rate Change		
	PWB	VVW
	Wholesale	Customers
FY12	12.3%	N/A
FY13	13.3%	N/A
FY14	-12.8%	N/A
FY15	4.1%	0.0%
FY16	6.6%	4.8%
FY17	11.6%	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%

OTHER SIGNIFICANT BUDGET AREAS

SYSTEMS DEVELOPMENT FUND

Valley View Water District has only one other fund: the Systems Development Fund, which has \$13,160 budgeted for FY 23. 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 23.

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. With the December 2022 payment, one loan will be paid in full, reducing the debt payments.

VALLEY VIEW WATER DISTRICT				
Debt Summary				
	6/30/2019	6/30/2020	6/30/2021	6/30/2022
Debt Outstanding	1,233,397	1,126,211	1,014,646	898,522
Debt Service Payments	157,786	157,786	157,787	157,787

BUDGET/STRATEGIC PLAN ALIGNMENT

The district has achieved its goals by completing major system upgrades over the past fifteen years. It has kept its budget balanced while building a reserve for future improvements, specifically the reservoir replacement project that will be several years down the road.

HIGHLIGHTS

- The district's FY 23 budget is \$2.2 million, increasing \$225,103 or 11% as the district builds reserves for future projects.
- Valley View Water will impose \$400,000 in taxes for FY 23 to replenish reserves and meet debt obligations. The amount is the same as the current year.
- Customer water rates will not increase in the FY 23 budget.
- The district has set aside \$50,000 to begin updating the Master Plan.

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 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 FY 2022-23 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 6-30-2021 does not note any budget law violations.

CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

TSCC staff did not find any deficiencies in the district's FY 2022-23 budget or budget process, and we suggest the Certification Letter contains no recommendations or objections.

Valley View Water District

Approved Budget Summary Sheet

	2019-20 Actual	2020-21 Actual	2021-22 Rev Bud	2022-23 App Bud	Budget % Change
SUMMARY OF ALL FUNDS					
Property Tax Breakdown:					
Permanent Rate Property Taxes	341,960	379,273	376,000	382,000	2%
Prior Years Property Taxes	4,474	4,925	4,000	4,000	0%
Total Property Taxes	346,434	384,198	380,000	386,000	2%
Resources:					
Beginning Fund Balance	1,119,525	1,244,637	1,172,713	1,395,579	19%
Property Taxes	346,434	384,198	380,000	386,000	2%
Fees and Charges	0	0	12,000	12,000	0%
Utilities	342,192	438,167	430,218	429,460	0%
Other Income	25,896	9,602	9,260	6,255	-32%
TOTAL RESOURCES	1,834,047	2,076,604	2,004,191	2,229,294	11%
Requirements by Function:					
Public Utilities Water System	434,116	599,488	1,110,237	1,221,866	10%
Debt Service	155,294	157,787	157,787	157,787	0%
Contingencies	0	0	730,000	840,000	15%
Ending Fund Balance	1,244,637	1,319,329	6,167	9,641	56%
TOTAL REQUIREMENTS	1,834,047	2,076,604	2,004,191	2,229,294	11%
Requirements by Object:					
Materials & Services	337,950	296,030	367,237	368,866	0%
Capital Outlay	96,166	303,458	743,000	853,000	15%
Debt Service	155,294	157,787	157,787	157,787	0%
Contingencies	0	0	730,000	840,000	15%
Ending Fund Balance	1,244,637	1,319,329	6,167	9,641	56%
TOTAL REQUIREMENTS	1,834,047	2,076,604	2,004,191	2,229,294	11%
SUMMARY OF BUDGET - BY FUND					
General Fund	1,733,316	1,975,468	1,991,031	2,216,134	11%
System Development Charge Fund	100,731	101,136	13,160	13,160	0%
GRAND TOTAL ALL FUNDS	1,834,047	2,076,604	2,004,191	2,229,294	11%
DETAIL OF GENERAL FUND					
Resources:					
Beginning Fund Balance	1,020,995	1,143,906	1,171,563	1,394,424	19%
Property Tax	346,434	384,198	380,000	386,000	2%
Utilities	342,192	438,167	430,218	429,460	0%
Other Income	23,695	9,197	9,250	6,250	-32%
TOTAL FUND RESOURCES	1,733,316	1,975,468	1,991,031	2,216,134	11%
Requirements:					
Public Utilities Water System	434,116	499,488	1,097,237	1,208,866	10%
Debt Service	155,294	157,787	157,787	157,787	0%
Contingencies	0	0	730,000	840,000	15%
Ending Fund Balance	1,143,906	1,318,193	6,007	9,481	58%
TOTAL FUND REQUIREMENTS	1,733,316	1,975,468	1,991,031	2,216,134	11%