

# Budget Review 2024-25

## Lusted Water District

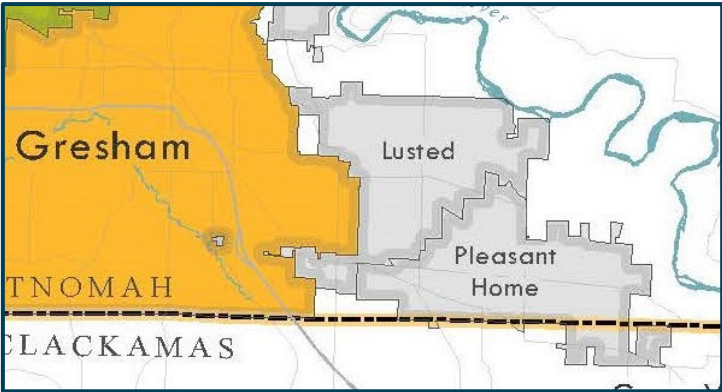


### BUDGET HIGHLIGHTS

- The total FY 2024-25 budget is \$6.3 million, a 17% increase from FY24 driven by increases in capital projects, including the potential purchase and refurbishment of a facility (Powell Valley Pump Station) from City of Gresham.
- 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 contract with the City of Portland will expire in June 2026.
  - The district is considering moving forward with purchasing wholesale water supply from the City of Gresham or developing wells.
  - The district budgeted loan proceeds from the Oregon Business Development Department to pay for the capital improvement projects.
- In July, the district’s board will vote on increasing the water rates charged to its customers. The budget includes a rate increase of between 8% - 11%; rates were also increased the last several years. Due to the unknown future of wholesale water costs beyond fiscal year 2026, a final rate package has not been proposed.

### INTRODUCTION & BACKGROUND

Lusted Water District serves 30 square miles east of Gresham. The district currently purchases water from the City of Portland. 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.

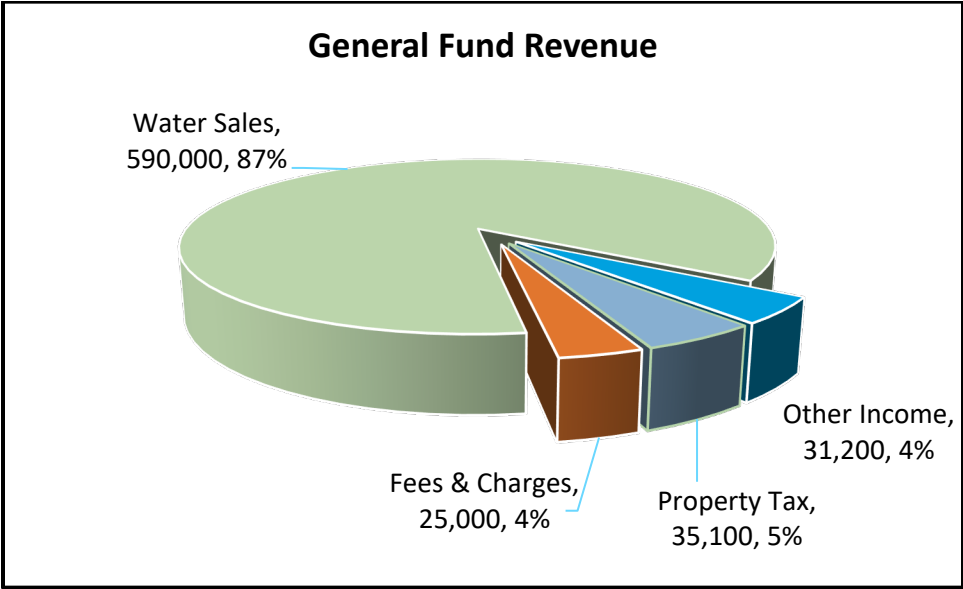
Lusted Water	2020-21	2021-22	2022-23	2023-24
Assessed Value in Millions	\$138.7	\$143.3	\$148.2	\$153.3
Real Market Value (M-5) in Millions	\$217.7	\$243.5	\$287.2	\$279.3
Property Tax Rate Extended:				
Operations	\$0.2423	\$0.2423	\$0.2423	\$0.2423
Debt Service	\$0.5592	\$0.5565	\$0.5911	\$0.5426
Total Property Tax Rate	\$0.8015	\$0.7988	\$0.8334	\$0.7849
Number of Employees (FTE)	2	2	2	2

# BUDGET OVERVIEW

The FY 2024-25 budget is \$6.3 million. The change from the current year is a 17% increase mainly driven by a 700k increase in debt proceeds for the Distribution Improvement Projects. On the expenditure side, total budget will increase by 15%, with the largest increase in Capital Projects (increases of 820k). Ending fund balance will decrease by \$193K as funds are spent on projects as planned.

Most of the budget resides in the \$3.6 million Distribution Improvement Project Fund, which accounts for 58% of the total budget. The district is working on several projects involving improvements to the water system infrastructure.

# GENERAL FUND



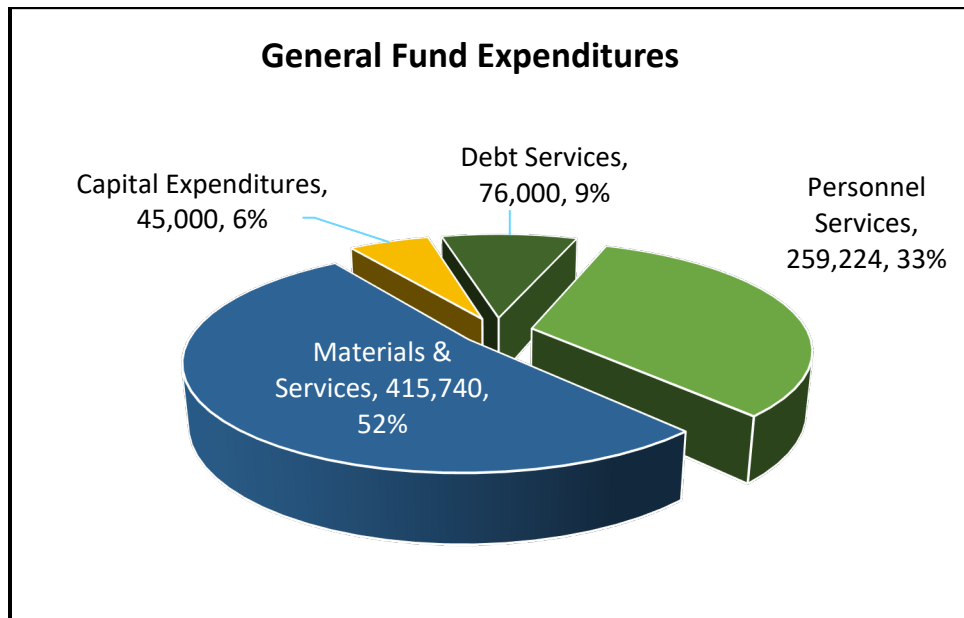
The General Fund accounts for all costs except specific capital projects. The General Fund makes up 20% of the total budget. This fund increases 7.7% over the current year, from \$1,145,245 to \$1,233,600. The beginning fund balance also increased by 50k due to underspending in the current year.

The most significant increase in revenue can be seen in the payments from water sales, a rise of 5.4% that results in an additional 30k for the fund.

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 8%-11%. Rate increases are to fund the water supply transition projects, continued replacement of leaking pipelines and cover price increases for wholesale water purchases in future years. The Board will hold a hearing and vote on the rate increase on July 10, 2024. The board will discuss the FY 25 rates and may revise the budgeted amounts before the July hearing.

Water sales are 86% of General Fund revenues. Five percent or \$37,400 of the district's income comes from property taxes, and they receive \$16,200 from an AT&T lease agreement for the antennae installed on the Barlow water tower.

Total expenditures increased from \$716k to \$796k (12%). The major expenditure categories are **personnel services** (\$259,224) and **materials and services (M&S)** (\$415,740), with the most significant M&S expenses being water purchases (\$150,000) and maintenance and repair (\$120,000). **Capital Outlay** is budgeted at \$45,000, consisting of equipment costs.



All personnel services costs are recorded in the General Fund and include salaries for four part-time positions and one as-needed position:

- Superintendent
- General Manager
- Capital Projects Manager
- Office Manager
- Utility Worker

The budget includes a cost-of-living adjustment of a 3.3% increase for all employees. The COLA is the only change to personnel service expenses. Employee Health Insurance increases 10% due to market increases, no change to authorized benefits is attributed to the large increase.

In the materials and service category, a 13% increase at \$415,740 is projected. The main drivers of this increase are:

- Wholesale water purchase costs from the City of Portland will increase by 7%;
- Regulatory compliance costs to conduct a service line inventory to document the lead content of service piping (+20k);
- Property & Liability Insurance increased over 20% for current costs and an additional new facility purchased from City of Gresham pushes a 40% increase.
- Construction costs for pipe leak repair have increased as the district aggressively looks for leaks. A 15% increase is budgeted for Maintenance & Repair.

- AutoCAD drafting support is hired out for an additional \$7,000 as well as \$10,000 for two satellite pipe-leak detection images from the firm Asterra.

**Debt service** is \$76,000 and includes the repayment of the state Clean Water State Revolving Fund (SRF) for \$70,000, which works similarly to a line of credit. A secondary loan (State Brownfield Loan) repays \$6,000 for cleanup related to Bergh property as the proposed site of the district’s groundwater wells.

## OTHER FUNDS

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

SUMMARY OF ALL FUNDS					
	2021 - 2022	2022 - 2023	2023 - 2024	2024-25	%
	Actual	Actual	Adopted	Approved	Change
General Fund	816,499	977,827	1,145,245	1,233,600	7.7%
GO Debt Service Fund	91,267	94,739	90,360	91,160	0.9%
Water System Imp Fund	364,558	350,281	1,201,350	1,321,350	10.0%
Distribution Imp Project	75,219	792,267	2,925,000	3,625,000	23.9%
Groundwater Supply Project	0	0	0	0	
Barlow High Fire Flow Imp Pjt	2,029	0	0	0	
<b>TOTAL ALL FUNDS</b>	<b>1,349,572</b>	<b>2,215,116</b>	<b>5,361,955</b>	<b>6,271,110</b>	<b>17.0%</b>

Nearly all funds are, in some capacity, working towards converting the system to well water. The district anticipates the City of Portland will increase water purchase rates at the end of the district’s 20-year contract that expires in 2026. Therefore, the board is exploring options for either system conversion or potentially buying water from the City of Gresham/Rockwood Water People’s Utility District.

### WATER SYSTEM IMPROVEMENT FUND (WSIF)- \$1.3 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 transition of the district’s water supply from the City of Portland to the City of Gresham or a groundwater well as the contract with the City of Portland ends in 2026.

Other small projects include soil cleanup of the former Bergh Machinery Property, Coons Pump Station Roof Replacement, Victory Heights generator installation and pump-3 replacement and a masterplan update.

### **DISTRIBUTION IMPROVEMENT PROJECT FUND - \$3.6 million**

This fund is financed by a low-interest \$3.6 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 provided a tentative approval to expand the scope of the loan project to absorb portions of the Water Supply Transition Project, including the purchase cost of the facility Powell Valley Pump Station from the City of Gresham and most costs of refurbishment.

### **GENERAL OBLIGATION DEBT SERVICE FUND (Barlow Tank Debt Service Fund) – \$91,160**

This fund is supported entirely by property taxes and is used to pay GO debt service for the water tank debt. Debt service is \$83,400 for FY 25.

### **GROUNDWATER SUPPLY PROJECT FUND - \$0**

This fund was intended to track resources and revenue while transitioning to a new water supply. It was never utilized and was closed in June 2023, and the transition project activities will be recorded in the Water System Improvement Fund.

### **BARLOW HIGH FIRE FLOW IMPROVEMENT PROJECT FUND - \$0**

The Barlow High School Fire Flow Improvement Project Fund was developed when Barlow High School was remodeled and required to increase its flow capacity for fire protection. The school district had contracted with Lusted Water to upgrade the station and accomplish increased flow but later chose to discontinue the project. This fund was closed in FY 2022 by board resolution. FY25 will be the final year this fund will show on financial statements.

## **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. Remaining debt as of June 30, 2023 was \$445,000.

The district also has two Oregon Business Development loans. These loans are received as reimbursements for approved project expenditures. The total disbursed as of 2023 was \$3,68,500.

## 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?
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 notes no exceptions. The FY 2021-22 was completed (late, and was not available for TSCC review last year) as well and also shows no exceptions.

### CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

TSCC staff notes no deficiencies in the district's FY 2024-25 budget development process, and we recommend the Certification Letter contain no recommendations or objections.

## Lusted Water District

### Budget Summary

	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	%
<u>SUMMARY OF ALL FUNDS</u>	Actual	Actual	Revised	Approved	Change
<b>PROPERTY TAX BREAKDOWN:</b>					
Permanent Rate Property Taxes	36,799	35,023	34,000	36,900	8.5%
GO Debt Property Taxes	75,184	84,432	77,360	79,160	2.3%
Prior Years Property Taxes	0	0	500	500	0.0%
<b>TOTAL PROPERTY TAX</b>	<b>111,983</b>	<b>119,455</b>	<b>111,860</b>	<b>116,560</b>	<b>4.2%</b>

### RESOURCES:

Beginning Fund Balance	619,731	793,085	838,000	807,000	-3.7%
Property Taxes	111,983	119,455	111,860	116,560	4.2%
Fees and Charges	(138,382)	0	30,000	30,000	0.0%
Utilities	497,999	507,750	560,000	590,000	5.4%
Other Income	18,019	34,228	45,745	51,200	11.9%
Debt Proceeds	240,193	811,594	3,776,350	4,476,350	18.5%

Transfers In	29	0	0	200,000	0.0%
<b>TOTAL RESOURCES</b>	<b>1,349,572</b>	<b>2,266,112</b>	<b>5,361,955</b>	<b>6,271,110</b>	<b>17.0%</b>

**REQUIREMENTS BY OBJECT:**

Personnel Services	188,289	201,519	246,726	259,224	5.1%
Materials & Services	227,075	271,071	428,190	490,740	14.6%
Capital Outlay	53,369	837,825	4,046,350	4,866,350	20.3%
Debt Service	87,725	88,750	152,120	159,480	4.8%
Fund Transfers	29	0	0	200,000	0.0%
Contingencies	0	0	125,000	125,000	0.0%
Ending Fund Balance	793,085	866,949	363,569	170,316	-53.2%
<b>TOTAL REQUIREMENTS BY OBJECT</b>	<b>1,349,572</b>	<b>2,266,114</b>	<b>5,361,955</b>	<b>6,271,110</b>	<b>17.0%</b>

**SUMMARY OF BUDGET - BY FUND**

General Fund	816,499	977,827	1,145,245	1,233,600	7.7%
GO Debt Service Fund	91,267	94,739	90,360	91,160	0.9%
Water System Imp Fund	364,558	350,281	1,201,350	1,321,350	10.0%
Distribution Imp Project	75,219	843,265	2,925,000	3,625,000	23.9%
Barlow High Fire Flow Imp Project	2,029	0	0	0	0.0%
<b>GRAND TOTAL ALL FUNDS</b>	<b>1,349,572</b>	<b>2,266,112</b>	<b>5,361,955</b>	<b>6,271,110</b>	<b>17.0%</b>

**DETAIL OF GENERAL FUND**

**RESOURCES:**

Beginning Fund Balance	263,653	400,826	500,000	550,000	10.0%
Property Tax	36,799	35,023	34,500	37,400	8.4%
Fees and Charges	0	0	25,000	25,000	0.0%
Utilities	497,999	507,750	560,000	590,000	5.4%
Other Income	18,019	34,228	25,745	31,200	21.2%
Transfers In	29	0	0	0	0.0%
<b>TOTAL FUND RESOURCES</b>	<b>816,499</b>	<b>977,827</b>	<b>1,145,245</b>	<b>1,233,600</b>	<b>7.7%</b>

**REQUIREMENTS:**

Public Utilities Water System	408,908	472,590	644,916	719,964	11.6%
Debt Service	6,765	10,210	71,000	76,000	7.0%
Transfers Out	0	0	0	200,000	0.0%
Contingencies	0	0	75,000	75,000	0.0%
Ending Fund Balance	400,826	495,027	354,329	162,636	-54.1%
<b>TOTAL FUND REQUIREMENTS</b>	<b>816,499</b>	<b>977,827</b>	<b>1,145,245</b>	<b>1,233,600</b>	<b>7.7%</b>

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

**RESOURCES:**

Beginning Fund Balance	16,083	10,307	13,000	12,000	-7.7%
GO Debt Property Taxes	75,184	84,432	77,360	79,160	2.3%
<b>TOTAL FUND RESOURCES</b>	<b>91,267</b>	<b>94,739</b>	<b>90,360</b>	<b>91,160</b>	<b>0.9%</b>

**REQUIREMENTS:**

Debt Services	80,960	78,540	81,120	83,480	2.9%
Ending Fund Balance	10,307	16,199	9,240	7,680	-16.9%
<b>TOTAL FUND RESOURCES</b>	<b>91,267</b>	<b>94,739</b>	<b>90,360</b>	<b>91,160</b>	<b>0.9%</b>