

# Budget Review 2024-25

## Valley View Water District



### HIGHLIGHTS

- The district's FY 2024-25 Approved Budget is \$4.5 million, an increase of \$1.9 million (72%), reflecting increased beginning fund balance, loan proceeds, increased capital outlay, and contingency for future projects.
- Valley View Water will continue to impose \$400,000 in property taxes for FY 2024-25 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, could decrease the tax rate imposed in the district.
- Capital costs are estimated at \$2.4 million for FY 2024-25 as the district spends down the fund balance for planned projects.
- The board has approved it, and the district will receive a \$1.5 million 30-year loan through Business Oregon for the SW Shattuck Winsor project.
- Debt service payments will increase by \$88 thousand with this additional debt obligation.
- Customer water rates will not increase in the FY 2024-25 budget.
- The district anticipates completion of its Master Plan in late 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 and 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 provided day-to-day operations management and services under a five-year contract that started in July 2019. However, in October 2023, NW Natural Water Services acquired Hiland Water Corporation, and the district contract with Hiland was assigned to them. 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 \$33,000 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	
2019-20	\$ 231,983	1.7389	\$ 403,000	1.5733	\$ 365,000	\$ 38,000
2020-21	\$ 240,122	1.7389	\$ 403,000	1.6658	\$ 400,000	\$ 3,000
2021-22	\$ 248,305	1.7389	\$ 432,000	1.6109	\$ 400,000	\$ 32,000
2022-23	\$ 255,715	1.7389	\$ 432,000	1.5642	\$ 400,000	\$ 32,000
2023-24	\$ 264,615	1.7389	\$ 445,000	1.5116	\$ 400,000	\$ 60,000
<b>Five year Savings to district taxpayers</b>						<b>\$ 165,000</b>
<b>Average Annual Savings:</b>						<b>\$ 33,000</b>

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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 originally planned to update its Master Plan in FY 2020-21 and FY 2021-22 but was delayed until renovation and repair projects were completed. The district is working on the update and anticipates completing its new Master Plan in late spring this year.

Valley View Water	2020-21	2021-22	2022-23	2023-24
Assessed Value in Millions	\$240.1	\$248.3	\$255.7	\$264.6
Real Market Value (M-5) in Millions	\$362.6	\$424.3	\$442.7	\$451.3
Property Tax Rate Extended:				
Operations	\$1.6658	\$1.6109	\$1.5642	\$1.5116

## BUDGET OVERVIEW

The district's FY 2024-25 budget is \$4.5 million, increasing 71.7%, or almost \$1.9 million from the current year. The increase reflects increased beginning fund balance, debt proceeds for capital projects, 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. Since 2019, Hiland Water Corporation provided for the district's daily operating needs for \$5,500/month in the current year. The current contract runs through FY 2023-24. In October 2023, NW Natural Water Services acquired the Hiland Water Corporation, and the district's contract with Hillnad was assigned to NW Natural Water Services. There were no personnel or operational changes. The district is budgeting \$6,000 a month for these services in FY25.

The district also contracts administration and accounting functions to an administrative officer, currently the board chair. This relationship is duly noted as a related party transaction in the annual audit. The Administrative Officer contracted work is budgeted at \$16,800 for FY 2024-25, a \$4,200 increase from the prior year.

This budget includes a projected increase of \$1,581 in the cost of water purchased from the City of Portland. The rate is expected to increase only 0.84% from \$2.370/CCF to \$2.390/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 originated in FY 2006-07, and the district's guaranteed minimum volume to be purchased reflected strong water sales in the two years preceding the contract.

In the 17 years since the agreement 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 use a water volume of about 61,000/CCF; however, it remains obligated to purchase the minimum annual guaranteed volume from Portland. The district and the sixteen other wholesale customers of the Portland Water Bureau have been meeting for three years to negotiate the terms of the Water Service Agreement that will expire on June 30, 2026. The new agreement includes two provisions that will benefit the Valley View Water District. They are eliminating the guaranteed purchase provision and changing from individual cost centers for each wholesaler to just two cost centers, East and West.

The district has budgeted just over \$2.4 million in capital improvements in FY 2024-25. This is for the completion of the Shattuck Road/Windsor Court project. This project went into the planning stage in FY22 and is expected to begin in May. The completion is anticipated to be in this October or November. The estimated cost is \$2.9 million. The district used \$1.4 million from capital reserves, and the remaining \$1.5 million will be funded through a loan arranged through Business Oregon. The project includes replacement and up-sizing of the water mains at five locations. It will also add a fire hydrant on SW 52<sup>nd</sup> Place.

The approved budget includes a contingency/ending fund balance of \$1.5 million, an increase of just over \$433 thousand. The district's board set a goal for Capital Reserves between \$1.2- \$1.5 million. The amount meets that goal.

## **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 service<sup>1</sup> and capital costs. The district uses fund balance drawdowns to pay for capital projects. Any resulting

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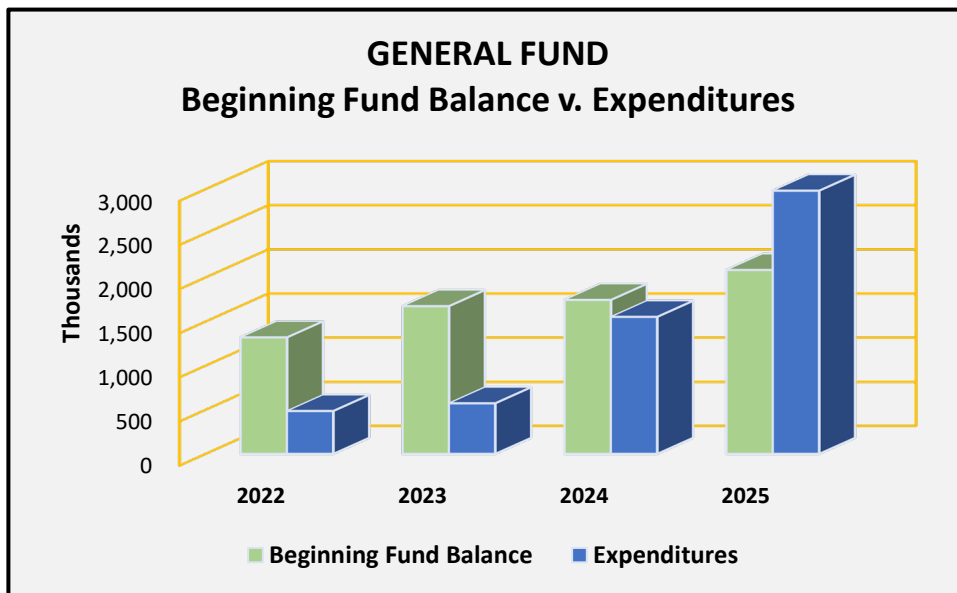
<sup>1</sup> The district's loans are full faith and credit loans from the state. They are not general obligation debt. But the district uses its permanent levy taxes to pay the debt service.

surplus goes to the fund balance. This budget adds \$1.5 million in debt proceeds to complete the Shattuck/Winsor capital project.

### GENERAL FUND REQUIREMENTS

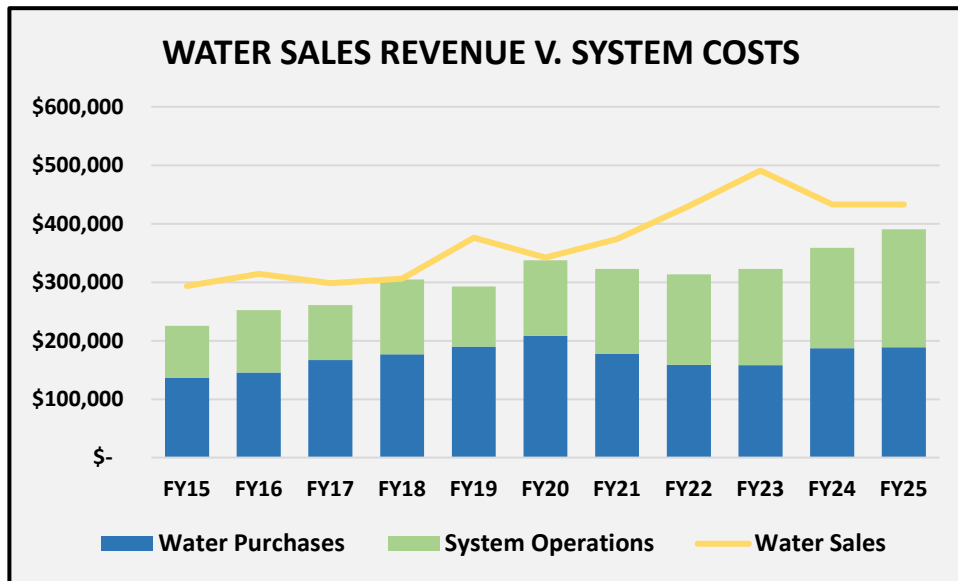
The chart below shows how the district matches rate revenues to system costs. General Fund requirements include the cost of water, engineering expenses, system maintenance, contracted services for administration and billing, debt service and capital expenditures.

Historically, district operating revenues come in well above yearly operating expenditures. In FY25, the capital projects will use \$1.4 million from the operating revenue and \$1.5 from a new loan from the State of Oregon.



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 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 FY 2024-25, similar to the current fiscal year. Valley View Water District anticipates that the City rate will increase significantly in FY 2026-27 through FY 2029-30 as the new Washington Park Reservoir, Treatment Plant, and Filtration Plant go into service.



Water Purchase & Sales		
Annual Rate Change		
	PWB Wholesale	VVW 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%

## OTHER SIGNIFICANT BUDGET AREAS

### SYSTEMS DEVELOPMENT FUND

Valley View Water District budgets expenses in only one other fund: the Systems Development Fund, which has \$13,255 estimated for FY 2024-25. The fund tracks the 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 2024-25, 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 each year (\$157,787). The loans are staggered to end in 2022, 2030, and 2032. The first of the loans was fully paid on December 1, 2022, reducing the amount needed for debt service by almost \$51,500 in FY 2023-24. Then, in FY25, the board authorized a fourth loan of \$1.5 million to complete the Shattuck/Winsor project. It is not included in the following summary since it is just authorized and not incurred.

The following chart shows the district's outstanding debt as of June 30, 2024.

VALLEY VIEW WATER DISTRICT				
Debt Summary				
	6/30/2021	6/30/2022	6/30/2023	6/30/2024
Debt Outstanding	1,014,646	898,522	778,437	704,129
Debt Service Payments	157,787	157,787	106,314	194,720

## BUDGET PROCESS & COMPLIANCE

Yes	No	Compliance Issue
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Did the district meet publication requirements?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Do resources equal requirements in every fund?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Are contingencies shown only in operating funds?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Did the budget committee approve the budget?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Did the budget committee set the levy?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Does the audit show the district was in compliance with Local Budget Law?

### LOCAL BUDGET LAW COMPLIANCE

The 2024-2025 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 6-30-2023 does not note any budget law violations.

### CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

TSCC staff did not find any deficiencies in the district's FY 2024-25 budget or budget process and suggest the Certification Letter contains no recommendations or objections.

## Valley View Water District

### Budget Summary

	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	%
	Actual	Actual	Revised	Approved	Change
<b><u>SUMMARY OF ALL FUNDS</u></b>					
<b>PROPERTY TAX BREAKDOWN:</b>					
Permanent Rate Property Taxes	381,762	383,100	382,000	382,000	0.0%
Prior Years Property Taxes	4,842	0	4,000	4,000	0.0%
<b>TOTAL PROPERTY TAX</b>	<b>386,604</b>	<b>383,100</b>	<b>386,000</b>	<b>386,000</b>	<b>0.0%</b>
<b>RESOURCES:</b>					
Beginning Fund Balance	1,319,329	1,672,969	1,743,830	2,082,942	19.4%
Property Taxes	386,604	383,100	386,000	386,000	0.0%
Fees and Charges	0	0	12,000	12,000	0.0%
Utilities	458,320	491,036	433,060	433,210	0.0%
Other Income	(7,554)	59,893	24,265	48,280	99.0%
Debt Proceeds	0	0	0	1,500,000	0.0%
<b>TOTAL RESOURCES</b>	<b>2,156,699</b>	<b>2,606,998</b>	<b>2,599,155</b>	<b>4,462,432</b>	<b>71.7%</b>
<b>REQUIREMENTS BY FUNCTION:</b>					
Public Utilities Water System	325,946	417,063	1,457,196	2,798,606	92.1%
Debt Service	157,784	154,154	106,314	194,720	83.2%
Contingencies	0	0	1,030,000	1,465,000	42.2%
Ending Fund Balance	1,672,969	2,035,781	5,645	4,106	-27.3%
<b>TOTAL REQUIREMENTS BY FUNCTION</b>	<b>2,156,699</b>	<b>2,606,998</b>	<b>2,599,155</b>	<b>4,462,432</b>	<b>71.7%</b>
<b>REQUIREMENTS BY OBJECT:</b>					
Materials & Services	274,325	317,201	414,196	396,732	-4.2%
Capital Outlay	54,375	99,862	1,043,000	2,401,874	130.3%
Debt Service	155,030	154,154	106,314	194,720	83.2%
Contingencies	0	0	1,030,000	1,465,000	42.2%
Ending Fund Balance	1,672,969	2,035,781	5,645	4,106	-27.3%
<b>TOTAL REQUIREMENTS BY OBJECT</b>	<b>2,156,699</b>	<b>2,606,998</b>	<b>2,599,155</b>	<b>4,462,432</b>	<b>71.7%</b>
<b><u>SUMMARY OF BUDGET - BY FUND</u></b>					
General Fund	2,155,556	2,605,820	2,585,980	4,449,177	72.0%
System Development Charge Fund	1,143	1,178	13,175	13,255	0.6%
<b>GRAND TOTAL ALL FUNDS</b>	<b>2,156,699</b>	<b>2,606,998</b>	<b>2,599,155</b>	<b>4,462,432</b>	<b>71.7%</b>

**DETAIL OF GENERAL FUND**

**RESOURCES:**

Beginning Fund Balance	1,318,193	1,671,826	1,742,670	2,081,717	19.5%
Property Tax	386,604	383,100	386,000	386,000	0.0%
Utilities	458,320	491,036	433,060	433,210	0.0%
Other Income	(7,561)	59,858	24,250	48,250	99.0%
Debt Proceeds	0	0	0	1,500,000	0.0%
Transfers In	0	0	0	0	0.0%
<b>TOTAL FUND RESOURCES</b>	<b>2,155,556</b>	<b>2,605,820</b>	<b>2,585,980</b>	<b>4,449,177</b>	<b>72.0%</b>

**REQUIREMENTS:**

Public Utilities Water System	325,946	417,063	1,444,196	2,785,606	92.9%
Debt Service	157,784	154,154	106,314	194,720	83.2%
Contingencies	0	0	1,030,000	1,465,000	42.2%
Ending Fund Balance	1,671,826	2,034,603	5,470	3,851	-29.6%
<b>TOTAL FUND REQUIREMENTS</b>	<b>2,155,556</b>	<b>2,605,820</b>	<b>2,585,980</b>	<b>4,449,177</b>	<b>72.0%</b>