

**BURLINGTON WATER DISTRICT
FY 2022-2023
MANAGEMENT’S COMMENTS AND BUDGET MESSAGE**

February 16, 2022

General Comments

Burlington Water District receives revenue from water sales for operations and loan payments. The District receives tax revenues from properties within the District boundaries for the purpose of contracting with other agencies for fire protection. The overall financial position is sound.

Results of Operations

Operations include but are not limited to system maintenance and monitoring for water use and loss.

Significant Transactions

Last year, we became aware of a leak and significant risk of larger future problems in a large pipe serving the customers along Riverview Drive. We applied for, and received a \$40k grant and \$270k low interest loan from the Safe Drinking Water Revolving Loan Fund which will be used to repair this line. No similar large transactions are planned for the 22-23 budget year, so we expect our Capital Expenditures to be significantly smaller.

Infrastructure

1. One 400,000-gallon steel bolted glass fused reservoir.
2. Approximately twelve miles of 4”, 6”, 8”, and 10” ductile iron and PVC pipes.
3. Approximately 30 in-service fire hydrants.
4. Two high volume pumps with advanced controls withing the District’s pump station connecting Burlington Water District to Portland Water Bureau (the District’s water supplier).
5. Updated telemetry communication and alarm system between the pump station and the reservoir.

Other Assets

1. Tools and equipment with a value of approximately \$6,500
2. A shipping/storage container
3. Small but adequate inventory of repair material

Economic Factors

The cost of wholesale water and fire protection contracts has steadily risen and this cost must be passed on to the consumer. Burlington Water District purchases its water from Portland Water Bureau (PWB). PWB has projected a significant increase in water costs over the next 10 years, due to required infrastructure costs on their part (i.e., building a filtration plant, constructing water lines to and from the filtration plant, and rebuilding, repairing and covering reservoirs).

Budget

Manager: Hiland Water - P.O. Box 699 Newberg, OR 97132 Phone: 503-554-8333; 1-855-554-8333 (TF)
Internet: BWD Website <https://burlingtonwater.specialdistrict.org/>

The budget for the fiscal year 2022-2023 for the Burlington Water District, a municipal corporation, contains estimates and appropriations for one fund: The General Fund. The budget contains no staff positions, as the District is exclusively utilizing contracted services.

Due to Measure 50, the District has a permanent tax rate limit of \$3.4269 per \$1,000 of assessed value. The assessed value of the District by the Multnomah County Assessor's Office was \$43,523,910 in 2021-2022. The assessed value is estimated to increase by 2.0 percent to \$44,394,000 in 2022-2023. The District will levy its entire \$3.4269 rate. After reductions, discounts and amounts not to be received (approximately 5 percent), it is estimated that the District will receive \$145,000.

The District expects to have about \$160,000 in cash that will carry forward from 2021-2022 to 2022-2023. Water Sales in the General Fund is estimated to bring in \$330,000 consistent with prior years.

Resources

Burlington Water District purchases its water from the City of Portland's Water Bureau and the contract amount is based on the District's highest daily water use during each year. The general income provides for District expenditures, aids in covering the cost of fire protection, aids in building the District's reserves and also aids in water management and loss.

The District receives tax revenues from properties within the District boundaries for the purpose of contracting with other agencies for fire protection. In 2020, the District executed a 10-year contract with Portland Fire and Rescue for fire protection services. Fire Protection tax levy and program expenditures for the 2022-2023 year are expected to be \$145,000. By terms of the contract, one-half of the annual payment will be due by December 31, 2022, and with payment in full by June 1, 2023.

Personnel

Burlington Water District is governed by a volunteer Board of Commissioners. The District does not currently have employees.

Contracted Services Expenditures

Burlington Water District has contracted with Hiland Water Corporation for customer service, reading water meters, billing statements, and collection of payments. Also, Hiland Water is responsible for system management and maintenance of the water lines. Hiland Water is reimbursed on a monthly basis. Daniel Zimmerman, working through Hiland, has been contracted to maintain the District's financial accounting and other office management duties as required. Mr. Zimmerman is reimbursed on a monthly basis. Hanford and Associates LLC has been contracted to perform financial reviews and audits for the district.

Materials and Services Expenditures

Portland Water continues to increase their water sale prices. The District has been informed that the add-on infrastructure and projected new water filtration costs will cause the water sale prices to increase annually from \$1.584 per ccf in 2021-2022 to as high as \$5.094 per ccf in 2024-2025, and the

increase will affect every rate payer. This year, we expect the cost of water from the Portland Water Bureau to increase from \$1.584/ccf to \$2.948/ccf, leading to a total increase of \$36,000.00 for the district. The District has factored in the projected water purchase increase for the coming years, and will be raising rates accordingly. Less water has been used per month in the past year, than when the rate study was completed in 2021, requiring a mix of increased rates over the original estimates, and some budget reductions to balance the budget. Cuts were made to our planned legal expenditures, as some questions we had last year are now resolved. And, cuts were made to the reserves for capital projects, as the loan mentioned above allows us to address our most pressing issue. It's worth noting that this is *not* the contingency reserve for emergency repairs. That amount has not been reduced. Beyond these reductions, the base rate will see an increase of \$6 per connection to a total of \$66.18 in district, and \$84.71 out-of-district. This is aligned with the original plan from the rate study. In addition to covering costs, it moves us closer to having constant un-metered revenue align with our constant costs. Usage rates also increase by \$2.35/CCF across all tiers. This is \$1 more than the rate study originally planned, but the lower usage we are seeing means that we can not cover our expenses without this additional increase. All of these numbers will be revisited again when we look at the budget next year.

Capital Expenditures

In light of the increase in water prices, it is imperative that the District start the process to upgrade some areas to prevent water losses. The District will be moving to repair the line along Riverview Drive as mentioned above with the grant money received in 2022. The next capital project will be to replace the meters in the district, but we need to get the Riverview repair settled before we move forward with meter replacement.

The District will continue to strive to contain costs while improving service levels.

Contacting the District's Financial Management

The District's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Financial statements are available on the District website:

<https://burlingtonwater.specialdistrict.org/>.

If you have questions about this report or need additional financial information, please contact Hiland Water Corporation at 503-554-8333; 1-855-554-8333 (TF).