

BURLINGTON WATER DISTRICT

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/>

BURLINGTON WATER DISTRICT FY 2024-2025 MANAGEMENT'S COMMENTS AND BUDGET MESSAGE

February 21, 2024

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

Three years ago, 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 a \$270k low interest loan from the Safe Drinking Water Revolving Loan Fund. These funds have been used to complete repairs to this line. We were also approved for a low interest \$75k loan to replace our aging water meters. After over two years of investigation related to significant variations in system leakage from month to month, numerous experts recommended that the meters be replaced and updated. We chose to address this issue before the billing structure with the City of Portland changes (2026). Both projects will have been fully completed by this budget adoption. In the coming year the District is continuing its leak detection and repair efforts as well as developing a comprehensive Master Plan which will help guide district resources in upcoming budget years to allocate assets to those projects anticipated to be most in need of maintenance or replacement.

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 within 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

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Economic Factors

The cost of wholesale water and fire protection contracts has steadily risen, and this cost is 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

The budget for the fiscal year 2024-2025 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 \$51,672,270 in 2023-2024. The assessed value is estimated to increase by 3.00 percent to \$53,222,000 in 2024-2025. 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 \$173,000.

The District expects to have about \$435,000 in cash that will carry forward from 2023-2024 to 2024-2025. Water Sales in the General Fund is estimated to bring in \$320,000 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 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 2024-2025 year are expected to be \$176,391. By terms of the contract, one-half of the annual payment will be due by December 31, 2024, and with payment in full by June 1, 2025.

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 NW Natural Water Services, LLC (herein referred to as NWNWS) for customer service, reading water meters, billing statements, and collection of payments. Also, NWNWS is responsible for system management and maintenance of the water lines. NWNWS is

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reimbursed monthly. Daniel Zimmerman, working through NWNWS, has been contracted to maintain the District's financial accounting and other office management duties as required. Mr. Zimmerman is reimbursed monthly. 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, and the increase will affect every rate payer. This year, we expect the cost of water from the Portland Water Bureau to increase from \$1.183/ccf to \$1.289/ccf. This \$0.11 increase is not directly enough to keep up with our guaranteed minimum purchase (GMP) obligation with the Portland Water Bureau. Our GMP is currently higher than the amount of water we sell, so we need to increase costs to \$0.11/ccf to meet our obligations. This GMP was a requirement to contract for water in 2016. We will enter a new contract with the Portland Water Bureau in 2026 and are working to eliminate the GMP from our contract so we only pay for what we actually use. Beyond this increase, the base rate will see an increase of \$6 per connection to a total of \$80.18 in district, and \$98.71 out-of-district. Most of this increase is to cover payments related to a significant preventative repair project that is required for Riverview Road, and to cover replacement of our aging meters. In addition to covering costs, it moves us closer to having constant un-metered revenue aligned with our constant costs. All these numbers will be revisited again when we look at the budget next year.

Capital Expenditures

Considering the increase in water prices, it is imperative that the District start the process to upgrade some areas to prevent water losses. The District moved to repair the line along Riverview Drive as mentioned above with the grant and loan money approved in 2022. The meter replacement project was also completed in the fiscal year 2023-2024. The District will utilize the completion of comprehensive Master Plan in fiscal year 2024-2025 to identify future vulnerabilities to infrastructure and identify a prioritized plan of future capital projects based off that information.

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 NW Natural Water Services, LLC at 503-554-8333; 1-855-554-8333 (TF).