



Neskowin Regional Water District

PO Box 823, 5880 S. Fairway Rd

Neskowin, OR 97149

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BUDGET MESSAGE **THE FISCAL YEAR 2023-2024**

The proposed budget of the Neskowin Regional Water District for the 2023-2024 fiscal year, beginning July 1, 2023, is divided into six funds:

- 1) General Operating Fund (GOF)**
- 2) Debt Service Fund (DSF)**
- 3) System Development Fund (SDF)**
- 4) Truck and Equipment Fund (TEF)**
- 5) Capital Improvement Fund (CIF)**
- 6) Watershed Acquisition Fund (WAF)**

The following is a review of the six funds that comprise the 2023-2024 budget. These numbers can and will change by small amounts before the final budget is adopted as estimates become more refined.

1) GENERAL OPERATING FUND (GOF)

RESOURCES

Income for this fund comes from District Customers' respective water billings. The District also receives small amounts of revenue from service installations and small miscellaneous sources.

- 1. Beginning Fund Balance (Cash on Hand)** The District's available cash in the General Fund decreases by \$23,966 from \$73,966 to \$50,000. The District will transfer any funds over \$50,000 that remain in the General Fund as of July 1st, 2023, to our TEF, as shown in our *2023-2024 Proposed Budget* document. This transfer comes from the *2023-2024 Proposed Budget* document, GF Expenditures page, line 24, to the TEF page, line 5. The *2022-2023 Revenue and Expense* document estimates on Row "N" Column 113, \$84,156, will remain in the General Fund accounts on June 30th, 2023, leaving an estimated \$34,156 to be transferred to the TEF.
- 2. Previously levied tax** will remain \$0. All previously levied taxes will be transferred to the District's Capital Improvement Fund.
- 3. Interest income** is estimated to be \$25. This will be from a small amount of interest on the District's checking account.



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4. **Water Sales** are estimated to increase \$17,200 from \$525,000 to \$542,200 due to the projected growth of water sales estimated by the *2023-2024 Water Sales Estimate* document.
5. **Miscellaneous Income** will remain at \$8,000. This income is from late fees, bulk water sales, and other minor sources.
6. **Service Installations** increase \$1000 from \$3,000 to \$4,000 due to more expected Service Installations in the 23/24 fiscal year. Service Installation revenue is derived from the Water District installing a new meter or service line for a customer and charging the customer for the installation.
7. **Tax Income** from the District's Permanent Tax Rate remains \$0. Due to an increase in Water Sales income made possible by rate increases passed June 25th, 2020, and July 1st, 2023. Due to the higher sales revenue generated by these rate increases, it is no longer necessary to use funds from the District's Permanent Tax Rate to fund the General Operating Fund. The District's Permanent Tax Rate will be directed to the Capital Improvement Fund to fund large projects.

General Fund Total Resources are down \$6,246 from \$610,471 in the 2022-23 fiscal year to \$604,225 in the 2023-24 fiscal year.

REQUIREMENTS

Expenditures for the General Fund come from Personal Services, Materials & Services, and a transfer to the Truck & Equipment Fund.

Personal Services include:

1. **Gross Wages** increase by \$40,230 from \$242,258 to \$282,488. Gross wages will increase this year due to budgeting for a new employee. This hire will allow the District more flexibility and productivity when doing repairs and maintenance.
2. **Social Security and Medicare** costs increase by \$3,062 from \$17,477 to \$20,539 (7.65% of gross wages) due to hiring a new employee.
3. **Workers Compensation and Accident Insurance** are estimated to remain \$4,500.
4. **Public Employees Retirement System (PERS)** costs increase by \$11,243 from \$47,360 to \$58,603 due to hiring a new employee and new PERS employer contribution rates. PERS rates were 20.73% in the 22/23 fiscal year and 23.83% in the 2023-24 fiscal year, an increase of 3.1%. The *PERS SLGRP Neskowin Water District 2023 Thru 2025* document provides more information on PERS rates.



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5. **Health Insurance** costs increase by \$5,207 from \$70,204 to \$75,411. The increase is due to increased health insurance rates per the *NRWD Health Insurance as of July 1st 2023* document and the addition of one more employee.
6. **Unemployment Insurance** costs are estimated to be \$200.
7. **Paid Leave Oregon** Costs are estimated to be \$1,611.

Personal Services expenses increase by \$61,053 from \$382,299 to \$443,352 this year due to the District hiring a new employee, rising Health Insurance premiums, and increasing PERS employer contribution rates.

Materials and Services include:

1. **Administrative expenses** are incurred for office supplies, telephone and internet service, office rent, insurance, legal and auditing expenses, memberships and dues, bank charges, and customer refunds.
 - 1.1. **Administrative expenses** are estimated to remain at \$56,410.
2. **Operations and Maintenance expenses** are incurred for vehicle maintenance, miscellaneous expenses, repairs and maintenance of the water system, workshops and seminars, plant supplies and tools, chlorine and chemical expenses, electricity, water testing, and wastewater charges.
 - 2.1. **Operations and Maintenance** expenses increase \$750 from \$96,650 to \$97,400.
3. **Transfers To Other Funds**
 - 3.1. **Transfer to the Truck and Equipment Fund.** The District will transfer any funds over \$50,000 that remain in the General Fund as of July 1st, 2023, to our TEF, as shown in our *2023-2024 Proposed Budget* document. The *2023-2024 Proposed Budget* document transfers \$7,063 on line 23 of the GF Expenditures page to line 5 of the Truck and Equipment Fund page as a conservative estimate for budgeting purposes. The *2022-2023 Revenue and Expense With Estimates* document estimates that \$34,156 will be transferred to the CIF.



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Materials and Services expenses decrease \$14,316 from \$175,189 to \$160,873. Primarily due to a smaller transfer from the General Fund to the Truck and Equipment Fund and no transfer from the General Fund to the Capital Improvement Fund in the 2023/2024 fiscal year.

2) DEBT SERVICE FUND

This fund is used exclusively to pay interest and principal on bonded debt the District's voters have approved. This bond is used to pay for the District's Water Treatment Plant Upgrade Project. The Water Treatment Plant Upgrade Project bond is scheduled to be paid off in December 2026. Revenue for this fund is kept in our LGIP (Local Government Investment Pool) account.

RESOURCES

Property tax revenues are the only resource for this fund and can only be used to pay the District's bonded debt. The District has one General Obligation (G.O.) Bond and the voters approved this G.O. Bond during the March 9, 2004 election.

- 1. Beginning Fund Balance (Cash on Hand)** The District's available cash in the Debt Service Fund increases by \$1,364 from \$121,240 to \$122,604 from a higher than-estimated Tillamook County tax collection rate.
- 2. Previously Levied Taxes Estimated to be Received** remain \$2,000.
- 3. Taxes Necessary to Balance** This fund decreases \$1,364 from \$56,668 to \$55,304. This tax amount varies slightly yearly based on Tillamook Counties' tax collection rate.

REQUIREMENTS

Expenditures for this fund include one payment to Business Oregon – (Oregon Business Development) in December of each year.

- 1.** The District has one payment due in December of 2023 of \$59,969. That payment consists of \$54,042 in Bond principal and \$5,927 in Bond interest.
- 2.** The District keeps two payments held in reserve to pay off this bond early, equal to \$119,939



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3) SYSTEM DEVELOPMENT FUND

This fund was created in 1986 to improve the water system. The District's Capital Improvement Plan identifies projects that the District needs to complete to provide the community with proper fire flow and water pressure. Projects that are necessary because of growth can be paid for from this fund. Revenue for this fund is kept in our Local Government Investment Pool (LGIP) account.

RESOURCES

Income for this fund is generated when a new customer connects to the water system. New customers are required to pay a System Development Charge (SDC). All SDC payments will be placed in the System Development Fund. In February 2023, the District Board enacted a new SDC rate of \$12,715.61 per new 3/4" x 5/8" service. Revenue for this fund is kept in our LGIP (Local Government Investment Pool) account.

- 1. Beginning Fund Balance (Cash on Hand)** The District's available cash in the System Development Fund increases by \$120,470 from \$188,468 to \$308,938. Due to the District receiving multiple System Development Charges during the 2022-2023 fiscal year.
- 2. System Development Charges** are estimated to increase by \$16,727 from \$72,282 to \$89,009. Due to an increase in construction of new homes expected in the 2023-24 fiscal year. The District is estimated to collect seven System Development Charges in the 2023-2024 fiscal year.

REQUIREMENTS

Expenditures for this fund are used to pay the SDC-eligible share of identified projects in the approved current Capital Improvement Plan.

- 1.** The next fiscal year, 2023-24, will see expenses from this fund to pay for the District's planned Capital Improvement projects. All resources in this fund will be budgeted to be spent in the 2023-24 fiscal year.



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4) TRUCK AND EQUIPMENT FUND

This fund allows the District to accumulate money to purchase equipment, such as a truck, backhoe, water plant computers, etc.

RESOURCES

Our primary resource for this fund is a transfer from the General Fund, which in 2023-24 is budgeted to be \$7,063.

- 1. Beginning Fund Balance (Cash on Hand)** The District's available cash in the Truck and Equipment Fund increases by \$3,580 from \$44,602 to \$48,182.
- 2. Transfers From Other Funds** decrease by \$7,937 from \$15,000 to \$7,063.

REQUIREMENTS

We continue to budget all available monies in this fund to pay for any purchases eligible to be funded by the Truck and Equipment Fund.

5) CAPITAL IMPROVEMENT FUND

This reserve fund has four purposes:

- 1.** To accumulate revenue to pay the non-SDC eligible share of the projects identified in the approved current Capital Improvement Plan.
- 2.** To pay for unanticipated and/or emergency repairs and additions to the water system.
- 3.** To make bond payments if insufficient tax revenue is collected.
- 4.** To act as a reserve for the General Fund

RESOURCES

Our primary resource for this fund comes from the District's permanent property tax rate of 38.31 cents per \$1,000 of assessed value. Revenue for this fund is kept in our LGIP account.

- 1. Beginning Fund Balance (Cash on Hand)** The District's available cash increases by \$92,281 from \$183,656 to \$275,937 due to modest 2022-23 fiscal year expenses.



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2. **Previously levied taxes** will increase \$1,200 from \$4,800 to \$6,000 due to a better delinquent tax collection rate by Tillamook County.
3. **Tax Income** increases by \$6,451 from \$141,671 to \$148,122 due to the District allocating 100% of the permanent tax rate to the CIF as presented in the ***Tax Estimate Math 23-24*** document.
4. **DEQ Grant Income** will be budgeted to pay for a Forest Management Plan of the NRWD Hawk Creek watershed. \$50,000 was awarded in the 2022-23 fiscal year through the DEQ's Source Water Protection Grant.

REQUIREMENTS

We continue to budget all available monies in this fund to pay for any projects eligible to be funded by the Capital Improvement Fund. Possible projects to be funded in 2023-24 include but are not limited to:

1. A transfer of \$50,000 to the Watershed Acquisition Fund to purchase and manage property within the District's source water area.
2. Installing new power-generating equipment for the Hawk Hills pump station.
3. Installing fire hydrants where needed, i.e., Terrace Drive, Viking Estates, The Crest, and Hawk Hills.
4. Contracting for power handling equipment at the District's Frank E Clanton water plant.
5. Purchasing and installing multiple mixers for our water storage tanks.
6. Contracting for the assessment of the Hawk Creek watershed.
7. Hiring a new engineering firm to start on our South Beach Rd Pipe Improvement Projects.



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6) WATERSHED ACQUISITION FUND

This fund allows the District to accumulate money to purchase and manage the District's source water area. This fund was created by Resolution 2021-07.

RESOURCES

Our primary resource for this fund is a transfer from the Capital Improvement Fund, which in 2023-24 would be \$50,000.

- 1. Beginning Fund Balance (Cash on Hand)** The District's available cash in the Watershed Acquisition Fund is estimated at \$0.
- 2. Transfers From Other Funds** will be \$50,000 from the Capital Improvement Fund.

REQUIREMENTS

We will budget all available monies in this fund to pay for any projects eligible to be funded by the Watershed Acquisition Fund.

GENERAL MANAGERS DISCUSSION

This year's Budget process has been challenging. I have done and will do my best to cut expenses where possible. The Personnel Budget expense will continue to be the most difficult to balance as costs for labor continue to climb for the foreseeable future.

The significant change in this year's budget is hiring a new employee starting at the Maintenance Tech 2 position. This new hire is in the District's best interests and will facilitate more productivity from the District's existing employees. Training someone with little to no experience would be prudent to facilitate the kind of employee the District requires. Because of the particulars of our District, we require a suite of skills from our employees that will be Difficult to hire and difficult to train.

Adding a new employee will raise personnel costs during the 2023-2024 fiscal year, but it will raise them more in the 2024-2025 fiscal year. I recommend we either raise rates beginning July 1st, 2024, or use the District's permanent tax rate to pay for our increased Personnel, and Operations and Maintenance costs.

I want to thank everyone for their time and effort with this year's budget.