



Neskowin Regional Water District

PO Box 823, 5880 S. Fairway Rd

Neskowin, OR 97149

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BUDGET MESSAGE THE FISCAL YEAR 2024-2025

The proposed budget of the Neskowin Regional Water District for the 2024-2025 fiscal year, beginning July 1, 2024, 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 2024-2025 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

This fund's income is derived from District Customers' respective water billings. The District also receives small amounts of revenue from service installations and other sources.

1. **Beginning Fund Balance (Cash on Hand):** The District's available cash in the General Fund increases by \$17,125 from \$50,000 to \$67,125. The District will transfer any funds over \$50,000 that remain in the General Fund as of July 1st, 2024, to our TEF, as shown in our *2024-2025 Proposed Budget* document. This transfer comes from the *2024-2025 Proposed Budget* document, GF Expenditures page, line 24, to the TEF page, line 5. The *2023-2024 Revenue and Expense* document estimates on Row "N" Column 115, \$67,125, will remain in the General Fund accounts on June 30th, 2024, leaving an estimated \$17,125 to be transferred to the TEF.
2. **The previously levied tax is estimated to be \$450. This is from past taxes that were levied but never collected until the 2024-2025 fiscal year.**
3. **Interest income** is estimated to be \$75. 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 \$64,560 from \$542,200 to \$606,760 due to a 4.5% rate increase and the projected growth of water sales estimated by the *2024-2025 Water Sales Estimate* document.
5. **Miscellaneous Income** is estimated to decrease by \$1,000 from \$8,000 to \$7,000. This income is from late fees, bulk water sales, and other minor sources. The district is collecting fewer late fees, which is expected to decrease the income in this category.
6. **Service Installations** are estimated to remain \$4,000. 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.

General Fund Total Resources are estimated to increase \$81,185 from \$604,225 in the 2023-24 fiscal year to \$685,410 in the 2024-25 fiscal year.

REQUIREMENTS

The General Fund's expenses come from Personal Services, Materials & Services, and a Truck and Equipment Fund transfer.

Personal Services include:

1. **Gross Wages** increase by \$34,227 from \$282,488 to \$316,715. Gross wages will increase this year primarily due to budgeting for our newest employee and higher wages for the existing employees of the District. This hire will allow the District more flexibility and productivity when doing repairs and maintenance.
2. **Social Security and Medicare** costs increase by \$2,619 from \$20,539 to \$23,158 (7.65% of gross wages).
3. **Workers Compensation and Accident Insurance** is estimated to be \$4,000 for the 2024-2025 fiscal year.
4. **Public Employees Retirement System (PERS)** costs increased by \$13,534 from \$58,603 to \$72,137 due to hiring a new employee and higher wages for the district's existing employees. Our current PERS employer contribution rates were 23.83% on 23/24 and will remain the same in the 24/25 fiscal year. The *PERS SLGRP Neskowin Water District 2023 Through 2025* document provides more information on PERS rates (Pg 2). The District will see an increase in PERS rates after the 24/25 fiscal year.



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5. **Health Insurance** costs increased by \$10,341 from \$75,411 to \$85,752. The increase is due to increased rates per the *NRWD Health Insurance as of July 1st, 2024* 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 \$1,816.

Personal Services expenses are projected to increase by \$60,426 from \$443,352 to \$503,778 this year due to the District hiring a new employee, higher existing employee wages, and rising Health Insurance premiums. Personal Services will most likely always be the District's most significant expense and the District's greatest asset.

Materials and Services include:

1. **Administrative expenses** include office supplies and expenses, 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 increase by \$1,270, from \$56,410 to \$57,680, mostly due to inflation.
2. **Operations and Maintenance expenses** include vehicle maintenance, miscellaneous expenses, water system repairs and maintenance, workshops, and seminars, plant supplies and tools, chlorine and chemical expenses, electricity, water testing, and wastewater charges.
 - 2.1. **Operations and Maintenance** expenses are estimated to increase by \$4,050 from \$97,400 to \$101,450, mostly due to inflation.
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, 2024, to our TEF, as shown in our *2024-2025 Proposed Budget* document. The *2024-2025 Proposed Budget* document transfers \$17,125 on line 23 of the GF Expenditures page to line 5 of the Truck and Equipment Fund page.

Materials and Services expenses increased \$5,320 from \$153,810 to \$159,130, primarily due to inflation. The District has done as much as possible to keep expenses down and to be very frugal



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with its Material and Services Budget, as should be noted by the minimal increase in expenses over the last several years with high inflationary rates.

Unappropriated Ending Fund Balance is estimated to be \$5,377.

2) DEBT SERVICE FUND (DSF)

This fund is used exclusively to pay interest and principal on bonded debt approved by the District's voters. This bond was used to pay for the District's Water Treatment Plant Upgrade Project in 2006. The Water Treatment Plant Upgrade Project bond is scheduled to be paid off on July 10th, 2024. 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. Voters approved this G.O. Bond during the March 9th, 2004 election.

- 1. Beginning Fund Balance (Cash on Hand)** The District's available cash in the Debt Service Fund increases by \$520 from \$122,604 to \$123,124 due to a higher-than-estimated Tillamook County tax collection rate.
- 2. Previously Levied Taxes Estimated to be Received** are estimated to be \$0.
- 3. Taxes Necessary to Balance** this fund decrease \$55,304 from \$55,304 to \$0. The District will pay the final payment on our Bond this year and will not need to collect taxes for future payments on this debt.

REQUIREMENTS

Expenditures for this fund include one payment to Business Oregon (Oregon Business Development), which is usually made in December of each year. The District will make a final payment this year on July 10th, 2024.

- 1.** The District will be paying, in full, the remainder of the District's G.O. Bond on July 10th, 2024. That payment consists of \$11,874 in Bond principal and \$2,480 in Bond interest.



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3) SYSTEM DEVELOPMENT FUND (SDF)

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 2024, the District Board enacted a new SDC rate of \$13,046.22 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 increased by \$361,123 from \$308,938 to \$540,802 due to the District receiving multiple System Development Charges during the 2023-2024 fiscal year.
- 2. System Development Charges** are estimated to increase by \$28,407 from \$89,009 to \$117,416 due to an expected increase in new home construction in the 2024-25 fiscal year. The District is estimated to collect nine System Development Charges in the 2024-2025 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, 2024-25, will see expenses from this fund to pay for the District's planned Capital Improvement projects.



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4) TRUCK AND EQUIPMENT FUND (TEF)

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

RESOURCES

Our primary resource for this fund is a transfer from the General Fund. The District will transfer any funds over \$50,000 that remain in the General Fund as of July 1st, 2024, to our TEF, as shown in our 2024-2025 Proposed Budget document. The 2024-2025 Proposed Budget document transfers \$17,125 on line 23 of the GF Expenditures page to line 5 of the Truck and Equipment Fund page.

- 1. Beginning Fund Balance (Cash on Hand)** The District's available cash in the Truck and Equipment Fund increases by \$33,223 from \$48,182 to \$81,405.
- 2. Transfers From Other Funds** increase by \$10,062 from \$7,063 to \$17,125.

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 (CIF)

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



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

- 1. Beginning Fund Balance (Cash on Hand)** The District's available cash increases by \$152,350 from \$275,937 to \$428,287 due to modest 2023-24 fiscal year expenses.
- 2. Previously levied taxes** are estimated to decrease \$2,000 from \$6,000 to \$4,000 due to a better delinquent tax collection rate by Tillamook County.
- 3. Tax Income** is estimated to increase by \$12,392 from \$148,122 to \$160,514 due to higher property values and 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 NRWD Hawk Creek watershed appraisals. \$70,000 has been applied for in the 2024-25 fiscal year in addition to the \$50,000 approved during the 22/23 fiscal year through DEQ's Source Water Protection Grant totaling \$120,000.

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 2024-25 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 and replacing old fire hydrants where needed
- 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 (WAF)

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 2024-25 would be \$50,000. The District will transfer funds from the CIF to the WAF as shown in our 2024-2025 Proposed Budget document. The 2024-2025 Proposed Budget document transfers \$50,000 from line 7 of the Capital Improvement Fund page to line 5 of the Watershed Acquisition Fund page.

3. Beginning Fund Balance (Cash on Hand): The District's available cash in the Watershed Acquisition Fund is estimated at \$53,493.

4. Transfers From Other Funds will be \$50,000 from the CIF on line 7 to the WAF on line 5.

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 MANAGER'S DISCUSSION

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

One of the significant changes in this year's budget is that we hired a new employee starting at the Maintenance Tech 2 position in November 2023. This new hire is in the District's best interests and will facilitate more productivity from the District's existing employees. Adding our new employee will raise personnel costs during the 2024-2025 fiscal year.

The other significant change in this year's budget will be that we will make our last payment on the District's bonded debt. This may be a good time for the District to seek further tax revenues as our tax base for our bonded debt will no longer be necessary or collected. We will collect 37.36% less tax revenue during the 2024-2025 fiscal year than during the 2023-2024 fiscal year.



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Mounting costs due to inflation and the addition of our new employee will raise personnel costs during 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.