Neskowin Regional Water District
PO Box 823, 5880 S. Fairway Rd
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BUDGET MESSAGE
THE FISCAL YEAR 2026-2027

The proposed budget of the Neskowin Regional Water District for the 2026-2027 fiscal year, beginning July 1, 2026, 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 2026-2027 budget. These numbers can and most likely will change by small amounts before the final budget is adopted, as our 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 an operating contract with the Cascade Head Ranch District Improvement Co. (CHRDIC), service installations, and other miscellaneous sources.

1. **Beginning Fund Balance (Cash on Hand):** The District's available cash in the General Fund increases by $8,000 from $2,000 to $10,000. Our Available Cash On Hand increases due to slightly less expenditures than budgeted for during the 2025/2026 fiscal year

2. **The previously levied tax** is estimated to be $0. This revenue is from past taxes that were levied but never collected until the 2026/2027 fiscal year. We have decided to shift the very small amount of income from previously levied taxes into the Capital Improvement fund, along with all of the current tax income.

3. **Interest income** is estimated to be $300. This income is from a small amount of interest on the District's checking account. The District's sizable interest accumulated by our savings (LGIP) will be dedicated to our Capital Improvement Fund.

4. **Water Sales** are estimated to decrease by $41,623, from $721,642 to $680,019, due to multiple factors. The District passed a sizable rate increase effective 10/1/2025, three months later than

the budget adopted last year predicted. The lack of additional revenue from the rate increase forced the District to draw on the Capital Improvement Fund to make up for the shortfall in the General Operating Fund during the 25/26 fiscal year. Also, the projected water sales, as estimated in the 2026-2027 Water Sales Estimate document, show our water usage was down 6.68% from the 24/25 fiscal year to the 25/26 fiscal year.

5. **CHRDIC Labor Reimbursement** This is a new budget revenue category that has been added by the Cascade Head Ranch District Improvement Co., contracting for the use of the District's employees. Income in this category is estimated to be $3,500 per month, $42,000 per year

6. **Miscellaneous Income** is estimated to remain the same as the current fiscal year, $2,000. 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.

7. **Service Installations** are estimated to remain the same as the current fiscal year, $2,000. 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. We are estimating fewer new services being installed in the 2026/2027 fiscal year.

General Fund Total Resources are estimated to increase $8,197 from $728,122 in the 2025-256 fiscal year to $736,319 in the 2025-26 fiscal year.

REQUIREMENTS

The General Fund's expenses come from Personal Services, Materials & Services.

Personal Services include:

1. **Gross Wages** increase by $922 from $349,479 to $350,401.

2. **Social Security and Medicare** costs increase by $442 from $25,358 to $25,800 (7.65% of gross wages).

3. **Workers' Compensation and Accident Insurance** is estimated to be $4,200 for the 2025-2026 fiscal year.

4. **Public Employees Retirement System (PERS)** costs increased by $1,354 from $81,046 to $82,400. Our current PERS employer contribution rate for the 25/26 fiscal year is 24.45%. The *PERS SLGRP Neskowin Water District 2025-2027* document provides more information on PERS rates. The District will see stable PERS rates through the 26/27 fiscal year.

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5. **Health Insurance** costs increased by $6,756 from $93,690 to $100,446. The increase is due to higher rates per the *NRWD Health Insurance as of July 1st, 2026,* document.

6. **Unemployment Insurance** costs are estimated to be $200.

7. **Paid Leave Oregon** Costs are estimated to be $2,020.

   Personal Services expenses are projected to increase by $9,705 from $555,762 to $565,467 this year due to higher existing employee wages, rising PERS rates, 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 $3,997 from $65,485 to $69,482, mostly due to inflation, higher liability insurance costs.

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 slightly by $4,350 from $99,950 to $104,300.

3. Transfers To Other Funds

   3.1. The District is budgeting no transfers into other funds from the General Operating Fund this year.

Materials and Services expenses increased $8,347 from $165,435 to $173,782, primarily due to inflation, and higher personnel costs. The District has done as much as possible to keep expenses down and to be very frugal 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 $5,925.

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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. 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 remains $0 due to the District paying off its bonded debt during the 2024/2025 fiscal year and moving all remaining funds in the Debt Service Fund to the Capital Improvement Fund.

2. **Previously Levied Taxes Estimated to be Received** are estimated to be $0.

3. **Taxes Necessary to Balance** The District will budget to receive $0 during the 2026/2027 fiscal year as we have retired our previous bonded debt.

REQUIREMENTS

Expenditures for this fund include one payment to Business Oregon (Oregon Business Development), which is usually made in December of each year.

1. The District has no expenses budgeted for this Fund as the District has paid off its bonded debt during the 2024/2025 fiscal year.

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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 March 2026, the District Board enacted a new SDC rate of $13,638.87 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 decreased by $488,861 from $539,196 to $50,335 due to the District paying for the South Beach Water Main Improvements project.

2. **System Development Charges** are estimated to decrease by $12,094 from $53,011 to $40,917 due to an expected decrease in new home construction in the 2026-27 fiscal year. The District is estimated to collect three System Development Charges in the 2026-2027 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, 2026-27, 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 2026-27 fiscal year.

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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 has budgeted to transfer no funds from the General Operating Fund for the 2026/2027 fiscal year in order to decrease expenses.

1. **Beginning Fund Balance (Cash on Hand)** The District's available cash in the Truck and Equipment Fund decreases by $32,913 from $86,014 to $53,101.

2. **Transfers From Other Funds** remain $0.

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

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.

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1. **Beginning Fund Balance (Cash on Hand)** The District's available cash increases by $90,630 from $518,917 to $258,559 due to the District's South Beach Water Main Improvement Project expenses in the 25/26 fiscal year.

2. **Previously levied taxes** are estimated to decrease $3,000 from $3,000 to $0 due to a better delinquent tax collection rate by Tillamook County and the miniscule amounts of previously levied tax income the District will actually receive being added to the Tax Income (below) category by our Auditors.

3. **Tax Income** is estimated to increase by $7,081 from $167,890 to $174,971 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 26-27* document.

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 2026-27 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. Constructing a new pump station for the Hawk Hills subdivision.

5. Purchasing and installing multiple mixers for our water storage tanks.

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 resources for this fund are a transfer from the Capital Improvement Fund and grants, which in 2025-26 are estimated to be $1,103,722. The District will transfer funds from the CIF to the WAF as shown in our 2026-2027 Proposed Budget document. The 2026-2027 Proposed Budget document transfers $50,000 from line 7 (*Requirements*) of the Capital Improvement Fund page to line 5 (*Resources*) of the Watershed Acquisition Fund page.

1. **Beginning Fund Balance (Cash on Hand):** The District's available cash in the Watershed Acquisition Fund is estimated at $153,093.

2. **OWEB Grant:** The District is expecting a large grant of $983,722 in the 2026/2027 fiscal year from OWEB to purchase properties within the District's source water area.

3. **OHA DWSP Grant U23004:** This $24,200 grant was won in 2024 to purchase appraisals and forest cruise of land within the District's source water area.

4. **OHA DWSP Grant U25007:** This $61,000 grant was won in 2023 to purchase a Forest Management Plan and appraise property in the District's source water area.

5. **Transfers From Other Funds** will be $50,000 from the CIF on line 7 (*Requirements*) to the WAF on line 5 (*Resources*).

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 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 received less revenue than projected for the 2025/2026 fiscal year. The District was running a very tight budget for this year, and with less revenue, the District will have fewer funds to begin the 2026/2027 fiscal year. The District is in a position where we may need to boost revenue to pay expenses.

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Mounting costs due to inflation and personnel costs will raise expenses during the 2026-2027 fiscal year. I recommend we either raise rates beginning July 1st, 2026, 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.

Troy N. Trute
General Manager of the Neskowin Regional Water District