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**2013**

# **Operating Budget**

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General Manager

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## **MISSION STATEMENT**

*The mission of North Beach Water District is to provide high quality water for residential, commercial, industrial and fire protection uses that meets or exceeds all local, state and federal standards and to provide courteous and responsive service at the most reasonable cost to our customers.*

## INTRODUCTION

This document is the approved 2013 Operating Budget Report for North Beach Water District.

In 2006, the North Beach Public Development Authority (NBPDA), predecessor to NBWD, acquired the Ocean Park Water Company and the Pacific Water Company. These two investor owned water systems were physically intertied and managerially combined into one water system and are the foundation of NBWD.

The acquisition was accomplished in 2006. Two low interest loans from the Washington State Public Works Trust Fund and a water revenue bond funded by the Cashmere Valley Bank provided the funds to purchase Ocean Park Water Company and Pacific Water Company and intertie the two systems.

In March 2008 voters approved the formation of the NBWD along with three publically elected commissioners. In January 2009, NBWD and NBPDA completed a transfer agreement whereby the NBWD accepted all assets and liabilities of NBPDA and the newly elected Board of Commissioners became the sole governing body of the NBWD.

In 2007 NBPDA began the preparation of a Water System Plan (WSP). NBWD adopted the WSP. The purpose of the WSP is to:

- o To demonstrate the water system has the operational, technical, managerial, and financial capability to achieve and maintain compliance with all local, state, and federal laws and rules.
- o Identify current and future infrastructure needs and plan to address those needs.
- o To demonstrate that the water system's water rights and its physical capacity are sufficient for current and future needs.
- o Establish eligibility for funding under the Drinking Water State Revolving Fund Program (WAC 246-296)

One of the elements of the WSP is the capital improvement schedule. The capital improvement schedule identifies capital improvement projects along with estimated costs that will be needed within the WSP's 6 year planning horizon.

The Board of Commissioners will consider capital improvements projects identified in the WSP (including any revisions) in making decisions regarding the annual budgeting. Capital improvement projects identified in the WSP will have priority in funding during the budget preparation process.

The WSP will be reviewed annually to prioritize capital improvement projects and will be revised or amended as needed to address the current condition of the water system.

The preparation and adoption of a operating budget is essential for the management and financial administration of NBWD. As an enterprise utility, NBWD is similar to a commercial operation whose revenues and expenditures are subject to unforeseeable variables related to timing and level of customer service demand. Decisions made throughout the year by the Board of Commissioners and the General Manager are balanced between the need to satisfy service requirements and budgetary constraints.

NBWD service demand is influenced by how people use water, weather patterns, the economy and growth. Budget objectives must therefore be structured to respond to fluctuating service demands.

NBWD budgeting forecasts are based on historical data, condition of infrastructure, State and Federally mandated compliance requirements, and foreseeable increases in operational costs.

NBWD currently provides residential, commercial and industrial water through a production and distribution system valued at \$6,067,928. This investment includes eleven active wells, four reservoirs with a combined storage capacity of 700,000 gallons, two booster stations and more than 25 miles of water mains. During 2013, it is forecast that NBWD will deliver 12 million cubic feet of water to 2,670 customers.

### **OBJECTIVES**

Special emphasis will be placed on accomplishing the following objectives during calendar year 2013.

1. To operate the water system in compliance with all rules and regulations that apply to public water systems operating in Washington State.
2. To provide customers with an uninterrupted supply of safe, high quality, dependable, fairly-priced water
3. To provide courteous, prompt, and professional customer service at all times.
4. Improve customer service, billing and payment methods, and improve access to information and notices (primarily through NBWD website).
5. To make fiscally responsible decisions that protect the sustainability of the water system.
6. To refine and increase the effectiveness of the unidirectional flushing program. This program is instrumental improving water quality throughout the system.
7. To fairly and equitably apply the policies and procedures defined in the Rules and Regulations adopted in Resolution 12-2008 and subsequent amendments.
8. To develop NBWD's employee efficiency through training and education programs.
9. To make all water system capital improvement decisions based on the Water System Plan.

### **ASSUMPTIONS**

In preparing the 2013 Budget the following assumptions were used:

- Water rate will not increase in 2013.
- The District will average 2670 customers a month;
- Water sales will be 12 million cubic-feet (90,000,000 gallons).
- Merit increases for eligible employees based upon performance are scheduled for review in March 2013 is expected to be in the 2% range. Cost of living adjustment for employees will be about 2.3%. Cost of Living Increase is based upon Bureau of Labor Statics Consumer Price Index for Seattle, Tacoma, Bremerton area for October released on November 15, 2012. Pending Board approval, the Cost of living increase will become effective January 1, 2013.

**EXECUTIVE SUMMARY**

**Table 1-1**

**Revenue**

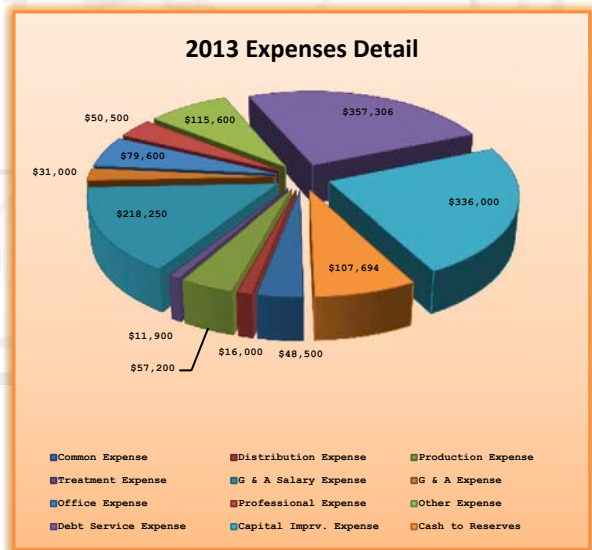
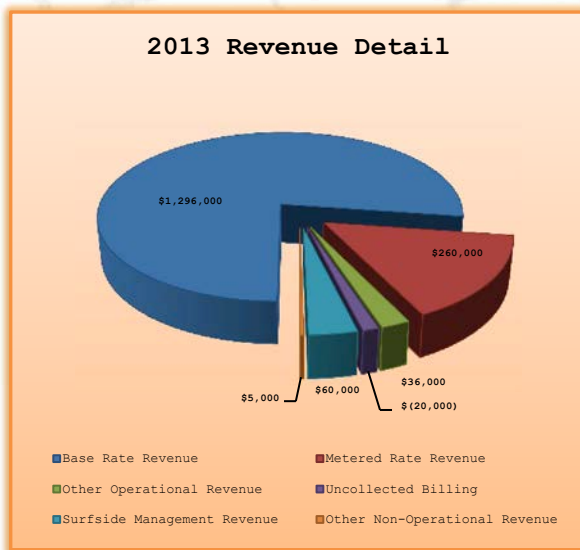
Description	2011 Actual	2012 Projected	2013 Budgeted
Operational	1,444,040	1,544,360	1,572,000
Non-Operational	54,214	107,572	65,000
<b>Total Revenue</b>	<b>1,498,254</b>	<b>1,651,932</b>	<b>1,637,000</b>

**Expenditures**

Description	2011 Actual	2012 Projected	2013 Budgeted
Field Operations	348,285	316,650	341,050
General & Administrative	441,553	506,675	494,950
Debt Service	416,843	389,990	357,306
Capital Improvements	86,048	133,566	336,000
<b>Total Expenditures</b>	<b>1,292,729</b>	<b>1,346,881</b>	<b>1,529,306</b>

**Cash From Operations**

Description	2011 Actual	2012 Projected	2013 Budgeted
Cash Increase/Decrease	205,525	305,051	107,694
Cash on hand beginning of year	788,771	994,300	1,299,351
Cash on hand end of the year	994,296	1,299,351	1,407,045



## **OPERATIONS FUND**

All of the revenues and expenses that make NBWD operate flow through the Operations Account. The Operations Account source of revenue consists of water sales, miscellaneous billing, contract operations and interest earned on funds on deposit.

The Operations Account exists to finance operations, maintenance, repair, supplies, depreciation, contingencies, personnel compensation related to water operations, and emergency reserve.

Table 1-1 (above) is a summary of the water operations revenues and expenditures and compares them with the previous years.

## **WATER REVENUES**

### **Operational Revenue:**

Base Rates and Water use sales are NBWD's main source of revenue. The base rate are forecasted to be \$1,296,000 (79% of NBWD total revenue). Water use sales (metered) are forecasted to be \$260,000 (14% of NBWD total revenue). New customer fees, late fees and other miscellaneous charges and fees are forecasted to be \$39,500 (2% of NBWD total revenue). On June 21, 2010 The District adopted Resolution 04-2010 that authorized an agreement with Peninsula F.I.S.H Emergency Services, Inc. in accordance with RCW 57.46. The agreement allows the District to participate in program where District customers may make voluntary contributions to assist low-income residential customers pay their water bill. The District Forecasts \$1,500 will be contributed by customers for the program. This money is sent directly to FISH to help NBWD low-income customers. This program is called the "Good Neighbor" program. NBWD forecasts \$5,000 in customer billing adjustment will be given in 2013. NBWD forecasts that \$20,000 of water bills will not be collected in 2013.

### **Non-Operational Revenues:**

NBWD forecasts income of \$61,500 (4% of NBWD total revenue) from contract management services with Surfside HOA in 2013. The estimate is based on contractual amounts and assumes that contract services will be provided all 12 months of 2013.

NBWD forecasts Other Non-Operational Revenues on Water Operations Fund related investments at \$5,000 in 2013. This is primarily from the sale of surplus equipment/materials.

Table 1-2 (below) identifies the major revenue categories and subheadings that constitute NBWD's total forecasted revenues and compares those revenues with the previous years.

Table 1- 2

Operational Revenue

Description	2011 Actual	2012 Projected	2013 Budgeted
Base Rate Revenue	1,187,905	1,276,000	1,296,000
Water Use (metered) Revenue	236,271	255,000	260,000
Water Service Connection Revenue	19,600	14,500	15,000
Late Fees Revenue	12,253	7,800	8,000
New Customer Fees Revenue	2,295	15,500	15,500
Other Customer Fees Revenue	8,647	3,200	1,000
Customer Billing Adjustment Revenue	(3,767)	(3,200)	(5,000)
Good Neighbor Fund Revenue	1,156	1,500	1,500
Difference Billed/Collected Revenue	(20,320)	(25,940)	(20,000)
<b>Total Operational Revenue</b>	<b>1,444,040</b>	<b>1,544,360</b>	<b>1,572,000</b>

Non-Operational Revenue

Description	2011 Actual	2012 Projected	2013 Budgeted
Interest Revenue	1,864	1,400	1,500
Miscellaneous Revenue	4,486	0	2,000
Surfside Management Revenue	45,000	60,000	60,000
SMA Reimbursable	1,364	1,200	1,500
Oysterville Management	1,500	0	0
FICA Refunds	0	44,972	0
<b>Total Non-Operational Revenue</b>	<b>54,214</b>	<b>107,572</b>	<b>65,000</b>

Total Revenue

Description	2011 Actual	2012 Projected	2013 Budgeted
<b>Total Revenue</b>	<b>1,498,254</b>	<b>1,612,932</b>	<b>1,637,000</b>



## **WATER EXPENDITURES**

### **Salary Expense:**

Salary are fixed expenses for all Field Operations. Expenses include salary and benefits for field personnel. Field salaries, taxes and benefits are forecast to be \$218,500 in 2013 (26.16% of total expenses).

### **Common Expenses:**

Common expenses include, vehicle operational costs, and other costs associated with general activates. The common expenses are forecasted to be \$48,500 in 2013 (5.81% of total expenses).

### **Distribution Expenses:**

Distribution Expenses are fixed and variable costs to convey and meter water to customers. Variable costs are subject to factors that are to a certain extent beyond NBWD's control such as failure of distribution equipment from age or environmental conditions. Fixed costs are preventive maintenance activities such as valve and hydrant maintenance and unidirectional flushing. The distribution expenses are forecast to be \$16,000 for 2013 (1.92% of total expenses).

### **Production Expenses:**

Production Expenses are fixed and variable costs to pump and store groundwater. Variable costs are subject to factors that are to a certain extent beyond NBWD's control such as weather and changes in efficiency or failure rates of existing equipment. Fixed costs are preventive maintenance activities such as control valve and pump maintenance. The production expenses are forecast to be \$57,200 for 2013 (6.85% of total expenses).

### **Treatment Expenses:**

Treatment Expenses are fixed and variable costs to treat (filter) groundwater for arsenic, iron and manganese. Variable costs are subject to factors that are to a certain extent beyond NBWD's control such as water quality changes and failure rates of existing equipment. Fixed costs are preventive maintenance activities such as control valve and pump maintenance. The treatment expenses are forecast to be \$11,900 for 2013 (1.42% of total expenses).

Table 1-3 (below) Identifies the salaries, common, distribution, production and treatment expenses for 2013.

Table 1- 3

**Field Wages Expenses**

Description	2011 Actual	2012 Projected	2013 Budgeted
Wages - Field Expenses	149,704	153,000	159,200
Taxes & Benefits Field Expenses	53,298	48,800	48,250
<b>Total Field Wages Expense</b>	<b>203,002</b>	<b>201,800</b>	<b>207,450</b>

**Common Expenses**

Description	2011 Actual	2012 Projected	2013 Budgeted
Vehicle Expenses	25,811	22,000	25,000
Communications Expenses	3,097	3,000	3,000
Equipment Rental Expenses	65	1,800	1,500
Equipment/Tools Expenses	4,942	4,500	5,000
Maintenance General Plant Expenses	16,297	5,000	12,000
Other Common Expenses	1,880	1,800	2,000
<b>Total Common Expense</b>	<b>52,092</b>	<b>38,100</b>	<b>48,500</b>

**Distribution Expenses**

Description	2011 Actual	2012 Projected	2013 Budgeted
Distribution Line Maintenance	3,240	2,500	4,000
Meters / Service Connections	8,950	7,200	7,500
Contract Labor	-	2,000	1,500
Other Distribution Expenses	2,048	3,000	3,000
<b>Total Distribution Expenses</b>	<b>14,238</b>	<b>14,700</b>	<b>16,000</b>

**Production Expenses**

Description	2011 Actual	2012 Projected	2013 Budgeted
Well Maintenance Expense	13,493	4,500	8,000
Booster Maintenance Expense	1,398	2,400	1,500
Electrical Power Expense	29,388	31,500	35,000
Generator Maintenance Expense	6,276	7,850	2,500
Water Quality Sample Expense	4,941	7,450	7,000
Reservoir Maintenance Expense	-	-	500
Control Valve Expense	1,294	-	1,200
Other Production Expense	3,039	500	1,500
<b>Total Production Expenses</b>	<b>59,829</b>	<b>54,200</b>	<b>57,200</b>

### Treatment Expenses

Description	2011 Actual	2012 Projected	2013 Budgeted
Treatment Plant Main. Expenses	18,168	4,500	7,500
Treatment Plant Consumable Expenses	208	2,100	2,400
Other Treatment Plant Expenses	-	-	-
Total Treatment Expenses	19,124	7,850	11,900

### Total Field Expenses

Description	2011 Actual	2012 Projected	2013 Budgeted
Total Field Expenses	348,285	316,650	341,050

### General and Administrative Expenditures

#### G & A Salary Expense:

G & A Salary are fixed expenses for all Office and Management. Expenses include salary and benefits for general manager, office manager, and billing clerk. G & A salary, taxes and benefits are forecast to be \$218,500 in 2013 (26.16% of total expenses).

#### G & A Expenses:

G & A expenses include, insurance, refunds, and other costs associated with general activates. The G & A expenses are forecasted to be \$31,000 in 2013 (3.71% of total expenses).

#### Office Expenses:

Office Expenses are fixed and variable costs to provide customer service, bill customers, office space and all other cost association with management of the business of NBWD. The G & A expenses are forecasted to be \$79,600 in 2013 (9.53% of total expenses).

#### Professional Expenses:

Professional Expenses are the cost paid to professionals such as lawyers, engineers, accountants, and other professional service providers. \$ The professional expenses are forecasted to be \$50,500 in 2013 (6.05% of total expenses).

#### Other Expenses:

Other Expenses are the cost paid to dues and subscriptions to professional associations, travel and education for management, commissioners, and operators,

taxes and fees, and miscellaneous other costs. The other expenses are forecasted to be \$109,600 in 2013 (13.12% of total expenses).

Table 1-4 (below) provides a summary of the General and Administrative expenses for 2013.

**Table 1- 4**

**G & A Salaries Expenses**

Description	2011 Actual	2012 Projected	2013 Budgeted
Wages Office Expenses	70,734	80,000	73,750
Wages General Manger Expenses	71,575	80,000	80,000
Surfside Management Expenses	20,000	24,000	24,000
Taxes and Benefits Expenses	38,581	39,400	40,500
<b>Total G &amp; A Salaries Expenses</b>	<b>200,890</b>	<b>223,400</b>	<b>218,250</b>

**G & A Expenses**

Description	2011 Actual	2012 Projected	2013 Budgeted
Insurance Expenses	24,562	27,560	29,000
Refunds Overcharges Expenses	1,035	3,200	1,500
Other G & A Expenses	127	-	500
<b>Total G &amp; A Expenses</b>	<b>25,724</b>	<b>30,760</b>	<b>31,000</b>

**Office Expenses**

Description	2011 Actual	2012 Projected	2013 Budgeted
Office Supplies Expenses	12,671	12,050	12,000
Billing Expenses	19,285	24,500	23,000
Technical Expenses	6,541	6,200	6,000
Software Maintenance Expenses	-	-	3,000
Telephone Expense	6,727	8,650	9,000
Public Relations Expense	2,845	3,650	2,500
Office Rent Expense	15,600	15,600	15,600
Office Equipment Rent Expense	4,361	5,800	6,000
Utilities Expense	1,365	1,520	1,500
Other Office Expense	443	1,350	1,000
<b>Total Office Expenses</b>	<b>69,838</b>	<b>79,320</b>	<b>79,600</b>

**Professional Service Expenses**

Description	2011 Actual	2012 Projected	2013 Budgeted
Engineering/Surveying Expenses	185	800	2,500
Legal Expenses	12,643	18,500	8,000
Accounting Expenses	14,484	24,500	10,000
Meter Readers Expense	0	21,025	28,000
Other Professional Expense	17,284	0	2,000
<b>Total Professional Services Expenses</b>	<b>44,596</b>	<b>64,825</b>	<b>50,500</b>

**Other Expenses**

Description	2011 Actual	2012 Projected	2013 Budgeted
Dues & Subscriptions Expenses	2,985	1,520	1,600
Education & Travel Expenses	6,454	8,950	12,000
Taxes, Fes, Permit Expenses	81,725	86,850	87,000
Other Expense	-	1,350	1,000
Management Reimbursables Expense	524	-	500
Board Meeting Expense	8,112	8,200	12,000
Good Neighbor Expense	705	1,500	1,500
<b>Total Other Expenses</b>	<b>100,505</b>	<b>108,370</b>	<b>115,600</b>

**Total General and Administrative Expenses**

Description	2011 Actual	2012 Projected	2013 Budgeted
<b>Total G &amp; A Expenses</b>	<b>441,553</b>	<b>506,675</b>	<b>494,950</b>

**Debt Services**

Debt services are expenditures for the repayment of loans and bonds that funded the initial water company purchases and subsequent improvements and equipment. The Three loans with balances in 2013 are:

- o **Public Works Trust Fund Loan # 117**
  - o Balance at start of 2013 - \$684,210
  - o Payments due in 2013 - \$56,316

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- o **Public Works Trust Fund Loan # 129**
  - o Balance at the start of 2013 - \$684,210
  - o Payments due in 2013 - \$56,316

- **Cashmere Valley Bank Bond**
  - Balance at the start of 2013 - \$1,950,000
  - Payments due in 2013 - \$239,616
- **BIAS Software**
  - Balance at the start of 2013 - \$21,815
  - Payments due in 2013 - \$4,363

In 2012 the interest rate on the Cashmere Valley Loan was reduced from 4.42% to 2.61%. The rate will be reviewed in 2016. The annual payment was reduced from \$275,100 to \$239,616.

Table 1-5 (Below) provides a summary of the Debt Service expenses for calendar year 2013.

**Table 1-5**

**Debt Service**

Description	2011 Actual	2012 Projected	2013 Budgeted
PWTF Loan # 117 Payment	56,579	56,316	56,579
PWTF Loan # 129 Payment	56,579	56,316	56,579
Cashmere Valley Bank Bond	275,100	257,358	239,616
Komatsu Loan (backhoe)	8,585		
PWTF Loan # 204	20,000	20,000	-
BIAS Software	-	-	4,532
<b>Total Other Expenses</b>	<b>416,843</b>	<b>389,990</b>	<b>357,306</b>

**CAPITAL OPERATIONS AND IMPROVEMENTS**

Capital Operations and Improvements are expenditures for construction of new permanent facilities, repair or replacement of existing facilities, and acquisition of vehicles and other equipment necessary to maintain the quality of operations in NBWD. The capital operations and improvements expenses are forecast at \$336,000 for 2013.

Capital Improvements for 2013 are:

**AMR Meter Installation.** The District started installing radio read (AMR) meters in 2010. These meter have a transmitter that send the read via radio frequency to a data collector automatically. The benefit of these meters is that they are more accurate, can be read in a fraction of the time of manual read meters, are much safer for District staff (bee stings, dog bites, and traffic hazards), and will save the

District money for meter reading. The District has installed 472 AMR meters to date. We are anticipating the installation to 350 AMR meters in 2013. The District is planning to replace all manual read meters with AMR meters by December, 2017.

**Distribution Improvements.** The District instituted a unidirectional flushing program in 2012 along with installing valves and blow off stations to improve the water quality during high use periods. That program will receive more valves and blow off stations in 2013 as well. It is anticipated that an additional 20 blow off stations will be installed and several nonfunctioning valves will be replaced.

**AMR Meter Reading Equipment.** The District will be purchasing upgraded AMR Data Collection equipment to keep up with the growing number of AMR meters being installed. The new equipment will allow District employees to read 800 meters in 20 to 30 minutes.

**Real Estate Purchases.** The District will be purchasing real estate (approximately 10 acres) off of 250<sup>th</sup> Street for a new well field in 2013. The District is also anticipating the purchase of a lot that is contiguous to its North Well Field in 2013.

**Billing Software Training.** The District will be purchasing new billing and accounting software in 2013. The new software will require our staff to be trained in the operation and maintenance of the software. The new software will greatly enhance the District's ability to provide excellent customer service to our rate payers.

Table 1-6 (below) provides a summary of Capital Operations and Improvements for 2013 and previous years.

**Table 1-6**

**Capital Operations and Improvements**

Description	2011 Actual	2012 Projected	2013 Budgeted
AMR Meter Replacements	49,408	48,116	126,000
New Office Telephone System	2,798	0	0
Replacement of Network Server	4,333	0	0
264 <sup>th</sup> & R St. Main Replacement	17,935	0	0
Replacement of Tractor Mower	0	17,500	0
Distribution Improvements	11,574	18,950	20,000
Filtration Evaluation	0	38,500	
AMR Meter Reading Equipment			10,000
Real Estate Purchase		10,500	175,000
Software Training	0	0	5,000
<b>Total Capital Operations Expenses</b>	<b>86,048</b>	<b>133,566</b>	<b>336,000</b>





Table 1-8

Forecasted Account Balances for January 1, 2014

Account	Forecasted Balance for 01/01/2014
Operation Account	\$50,000
Operation Reserve Account	\$450,000
Capital Reserve Account	\$547,295
Cashmere Valley Debt Reserve Account	\$275,100
Debt Reserve Account	\$84,650
Total Funds on Deposit	\$1,407,045

**WATER RATES**

On July 21, 2008 the Board of Commissioners passed Resolution 08-2008 which establishes water and service charge rates through 2012. The Board also specified that the rates be reviewed on an annual base. Unless otherwise acted upon by the Board, there will be no rate increases in 2013. General Manager recommends to the Board of Commissioners that the forecasted revenue for 2013 is adequate to meet NBWD forecasted needs for 2013.