

**NORTH BEACH WATER DISTRICT
PACIFIC COUNTY, WASHINGTON**

RESOLUTION NO. 01-2012

**A RESOLUTION OF THE BOARD OF COMMISSIONERS OF NORTH
BEACH WATER DISTRICT, PACIFIC COUNTY, WASHINGTON,
ADOPTING 2012 OPERATING BUDGET.**

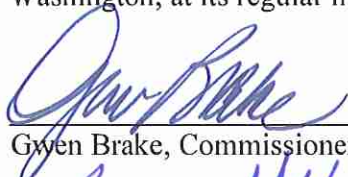
WHEREAS, the Board of Commissioners of North Beach Water District directed the General Manager of the North Beach Water District to prepare its 2012 operating budget; and


WHEREAS, the Board of Commissioners of North Beach Water District held a public workshop on December 5, 2011 to consider the proposed 2012 operating budget and a public hearing was conducted on December 19, 2011 and after said hearing the 2012 operating budget was approved by the Board of Commissioners now, therefore

BE IT RESOLVED by the Board of Commissioners of North Beach Water District as follows:

The North Beach Water District 2012 operating budget is hereby adopted and attached as Exhibit A and incorporated herein by this reference.

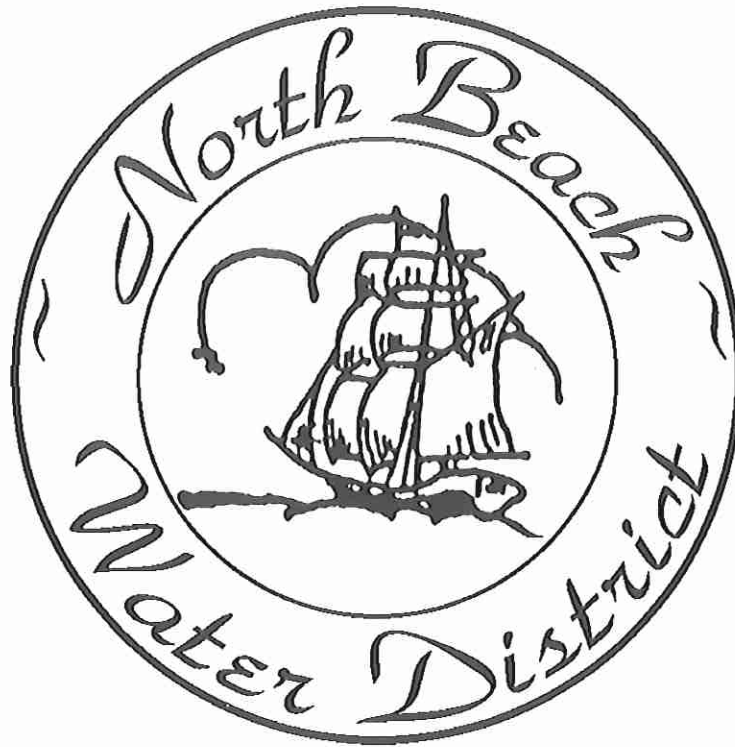
ADOPTED by the Board of Commissioners of North Beach Water District, Pacific County, Washington, at its regular meeting held on the 23th day of January, 2012.


Gwen Brake, Commissioner


Brian Sheldon, Commissioner


R D Williams, Commissioner

Adopted January 17, 2012



North Beach Water District

2012 BUDGET

William Neal
General Manager

TABLE OF CONTENTS

	<u>Page</u>
Mission	3
Introduction	4
Objectives and Assumptions	5
Executive Summary	5
Water Operations Fund	6
Water Revenues	7
Water Expenditures	8
General and Administrative	10
Debt Services	12
Personnel	12
Water Rates	12
Capital Operations and Improvements	13
Consistency with 2008 Water Rate Study	13

LIST OF TABLES

<u>Number</u>	<u>Title</u>	<u>Page</u>
1-1	Revenue and Expenditure Distribution	7
1-2	Revenue	8
1-3	Transmission, Distribution and Supply	10
1-4	General and Administrative	11
1-5	Debt Services	12
1-6	Capital Operations and Improvements	13
	Pie Charts	15

MISSION

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

The North Beach Water District (District) 2012 Budget Report is a detailed report on the revenues and expenditures expected in calendar year 2012. This Budget Report does not repeat a lot of detail that is already contained in the Water System Plan.

In 2006, the North Beach Public Development Authority (NBPDA), predecessor to the District, acquired the Ocean Park Water Company and the Pacific Water Company, two privately owned utilities that originally established the water system. The acquisition was accomplished through two low interest loans from the Washington State Public Works Trust Fund and a water revenue bond funded by the Cashmere Valley Bank, payable from revenues generated through the sale of water. In March 2008 voters approved the formation of the District along with three publically elected commissioners. In January 2009, the District and NBPDA completed a transfer agreement and the District took over governance of the water system.

In 2007 NBPDA began the preparation of a Water System Plan (WSP). The District has since incorporated the WSP. The purpose of the WSP is to provide a uniform process for NBPDA and now the District to identify present and future needs. To set forth means for addressing those needs. To prove the water system has the capacity (operational, technical, managerial, and financial) to achieve and maintain compliance with all local, state, and federal laws and rules. To demonstrate that the water system's capacity and water rights are sufficient for current and future needs and to document water use efficiency measures. The WSP is not a collection of projected one-year budgets. It does contain a capital improvement program that identifies individual capital improvement projects along with estimated costs. The Board of Commissioners will consider the capital improvements identified in the WSP and most current revisions to the WSP in making decisions regarding the annual budgeting. The Plan will be reviewed regularly to prioritize capital improvement projects and will be revised or amended as needed to address foreseeable and unforeseeable conditions of the water system.

The preparation and adoption of a comprehensive budget and operating plan is essential for the sound management and financial administration of the District. As an enterprise utility, the District is subject to revenue and expenditure fluctuations during the year. Decisions made throughout the year by the Board of Commissioners and the General Manager are based on quality customer service, maintenance of infrastructure and budgetary constraints.

Water service demand is influenced by customer's water use practices, weather, and growth. Due to aging infrastructure, maintenance needs can vary greatly year to year. Budget objectives must therefore be structured to respond to fluctuating service demands and aging infrastructure needs. District budgeting activities are projected from historical data, age and condition of infrastructure, State and Federal mandated management and operation requirements, and industry standards to determine the appropriate funding level.

OBJECTIVES

Special emphasis will be placed on accomplishing the following objectives during calendar year 2012.

- To implement a unidirectional water main flushing program to clean the mains of sediment and install new or replace nonoperational infrastructure to improve water quality throughout the system.
- To provide courteous, prompt, and professional customer service to all times while improving our customers billing options, payment methods, and access to information and notices.
- To operate the water system in compliance with all rules and regulations that applies to public water system in Washington State.
- To provide customers with an uninterrupted supply of safe, high quality, dependable, fairly-priced water.
- To make fiscally responsible decisions that protects the financial viability of the District.
- To fairly and equitably apply the policies and procedures defined in the Rules and Regulations adopted in Resolution 12-2008 and subsequent amendments.
- To continually improve the District employee's effectiveness and efficiency through training and education programs.
- To make all water system capital improvement decisions based on the Water System Plan.

ASSUMPTIONS

In preparing the 2012 Budget the following assumptions were used:

- The scheduled rate increase of 5% will occur in July 2012.
- Water sales will be 286 acre-feet (124,750 hundred cubic feet).
- Merit increases for eligible employees based upon performance are scheduled for review in March 2012 is expected to be in the 2% range. Cost of living adjustment for employees will be 3.9%. This is based upon Bureau of Labor Statics for September 2010 to September 2011.

EXECUTIVE SUMMARY

A report of the significant findings and recommendations for the calendar year 2012 Budget are:

- Overall water consumption is projected to around 286 acre-feet.
- Annual Revenue is expected to be \$1.616 Million for the year 2012.

- Annual Water Fund Operations are budgeted at \$.866 Million for the year 2012.
- Annual Debt payments are budgeted at \$.408 Million for the year 2012.
- Capital Improvement/Operation Replacements are budgeted this year at \$.089 Million for the year 2012.
- Operational and Capital Reserves are projected at \$.253 Million for the year 2012.

WATER OPERATIONS FUND

District activities identified in this budget are designed to accomplish the mission as it relates to water operations. For the calendar year 2012, the District will need a total budget of \$0.866M to carry out its mission.

The Budget Report presents relevant information of water operations.

North Beach Water District 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 0.7 million gallons, two booster stations and more than 25 miles of water mains. During 2012, it is projected that the District will deliver over 286 acre feet of water to over 2,600 active service connections.

All of the revenues and expenses of the District are deposited into and paid out of the Water Operations Fund. The Water Operations Fund source of revenue consists of water sales, miscellaneous billing, contract operations, and interest earned on Water Operations Fund related investments.

The Water Operations Fund used to pay for operations, maintenance, repair, supplies, payroll, insurance, taxes, and capital improvements.

Table 1-1 provides a summary of the Water Operations Fund revenues and expenditures for 2012 and compares those revenues and expenditures with the previous year.

Table 1-1
REVENUE AND EXPENDITURE DISTRIBUTION

REVENUE			
DESCRIPTION	BUDGETED 2011	ESTIMATED 2011	PROPOSED 2012
OPERATIONAL	\$ 1,450,818	\$ 1,455,148	\$ 1,548,500
NON-OPERATIONAL	\$ 4,000	\$ 54,071	\$ 67,500
TOTAL REVENUE	\$ 1,454,818	\$ 1,509,219	\$ 1,616,000
EXPENDITURES			
FIELD OPERATIONS	\$ 359,500	\$ 363,363	\$ 380,100
GENERAL AND ADMINISTRATIVE	\$ 413,268	\$ 423,801	\$ 485,920
DEBT SERVICES	\$ 416,806	\$ 416,843	\$ 408,258
WSP PROJECTS/OPERATIONAL REPLACEMENTS	\$ 226,000	\$ 135,000	\$ 88,500
TOTAL OPERATIONAL	\$ 1,415,574	\$ 1,339,006	\$ 1,362,778
NET GAIN OR LOSS	\$ 39,244	\$ 170,213	\$ 235,778

REVENUES

The Districts revenue is generated through water sales to residential and commercial water customers and contract management and assistance to other water systems. 78% of revenue is generated from fixed sales based on the minimum service charge. 18% of revenue is variable sales of water based on metered use. 6% of revenue is generated from non-operational sources such as operations and maintenance contracts with other water systems, new connection fees and other sources.

Water Revenue

The District forecasts Monthly Service Charge Revenue at \$1,265,000 and Metered Water Sales are forecast to be \$260,000. These forecasts are based on projected consumption of 286 acre feet of water to more than 2,600 water services.

Non-Operational Revenues:

Connection and reconnection fees for services turned off for failure to pay a water bill, and other charges are projected at \$23,500.

During the calendar year 2012 the District forecasts interest on Water Operations Fund related investments at \$1,500. The estimate is predicated on a projection of historical data and its relationship to current interest rates.

During calendar year 2012 the District forecasts income of \$60,000 from contract management services with Surfside HOA. The estimate is based on contractual amounts and assumes that contract services will be provided all 12 months of 2012.

During the calendar year 2012 the District forecasts Other Non-Operational Revenues on Water Operations Fund related activities at \$6,000. This is primarily from the projected sales of scrap metal and surplus equipment/materials.

Table 1-2 identifies the major revenue categories and subheadings that constitute the District's total projected revenues and compares those revenues with the previous year.

Table 1-2 REVENUE				
ACCT. #	DESCRIPTION	BUDGETED 2011	ESTIMATED 2011	PROPOSED 2012
REVENUE				
	OPERATIONAL	\$ 1,450,818	\$ 1,455,148	\$ 1,548,500
	NON-OPERATIONAL	\$ 4,000	\$ 54,071	\$ 67,500
	TOTAL REVENUE	\$ 1,330,690	\$ 1,343,695	\$ 1,454,818
OPERATIONAL REVENUE				
343.41	MONTHLY SERVICE CHARGE REVENUE	\$ 1,185,298	\$ 1,187,883	\$ 1,265,000
343.42	METERED WATER SALES REVENUE	\$ 243,620	\$ 245,701	\$ 260,000
343.81/361.86	WATER SERVICE CONNECTION FEES	\$ 20,000	\$ 14,564	\$ 18,000
343.82	DELINQUENT BILL FEES	\$ 3,000	\$ 12,507	\$ 7,000
343.83	NEW CUSTOMER FEES	\$ 3,400	\$ 2,447	\$ 2,500
343.87	OTHER CUSTOMER FEES	\$	\$ -	\$ -
343.88	CUSTOMER BILLING ADJUSTMENTS	\$ (5,000)	\$ (9,000)	\$ (5,000)
367.11	GOOD NEIGHBOR FUND			\$ 1000
	TOTAL OPERATIONAL	\$ 1,450,818	\$ 1,455,148	\$ 1,548,500
NON-OPERATIONAL REVENUE				
361.11/361.13	INTEREST REVENUE	\$ 2,000	\$ 1,771	\$ 2,000
369.10/369.9	MISCELLENIOUS INCOME	\$ 2,000	\$ 5,800	\$ 2,000
	SURFSIDE MANAGEMENT CONTRACT	\$	\$ 42,000	\$ 60,000
	OYSTERVILLE ASSISTENCE CONTRACT	\$	\$ 4,500	\$
	TOTAL NON-OPERATIONAL	\$ 4,000	\$ 54,071	\$ 67,500

WATER EXPENDITURES

Salary and Common Expense:

Salary and Common Expenses are generally fixed expenses associated with the collective activities of Field Operations. These expenses include salary and benefits for field personnel, vehicle operational costs, and other costs associated with general activities. Field salaries, taxes and benefits are projected at \$211,400 for 2012. Common expenses are projected at \$55,200 for 2012.

Distribution Expenses:

Distribution Expenses make up fixed and variable costs of the District. These are generally defined as the annual operating expenses to distribute and meter water to customers. Variable costs are sensitive to such operating factors that are beyond the District's control. These factors include failure rates of distribution equipment. Fixed costs include preventive maintenance activities such as valve and hydrant maintenance. The budget amount is the best projection of annual costs based on these assumptions. Distribution expenses are projected at \$31,500 for 2012.

Production Expenses:

Production Expenses make up fixed and variable costs of the District. These are generally defined as the annual operating expenses to pump and store local groundwater to satisfy customer service demand. Variable costs are sensitive to such operating factors that are beyond the District's control. These factors include weather, new construction, and changes in efficiency or failure rates of existing equipment. Fixed costs include preventive maintenance activities such as control valve and booster pump maintenance. The budget amount is the best projection of annual costs based on an average weather, growth and consumption. Production expenses are projected at \$66,000 for 2012.

Treatment Expenses:

Treatment Expenses make up fixed and variable costs of the District. These are generally defined as the annual operating expenses to treat local groundwater for arsenic, iron and manganese to satisfy customer service demand. Variable costs are sensitive to such operating factors that are beyond the District's control. These factors include weather, new construction and changes in efficiency or failure rates of existing equipment. The budget amount is the best projection of annual costs based on an average weather, growth and consumption. Treatment expenses are projected at \$16,000 for 2016.

Table 1-3 provides a summary of the Salaries, Common Expense, Distribution, Production and Treatment categories and sub-headings for calendar year 2012.

Table 1-3
FIELD OPERATIONS

ACCT. #	DESCRIPTION	BUDGETED 2011	ESTIMATED 2011	PROPOSED 2012
SALARIES				
501.1	WAGES - FIELD	\$ 152,000	\$ 149,292	\$ 155,100
502	TAXES AND BENEFITS - FIELD	\$ 54,000	\$ 52,128	\$ 56,300
	SUB-TOTAL SALARIES	\$ 206,000	\$ 201,420	\$ 211,400
COMMON EXPENSE				
503.9	VEHICLE EXPENSES	\$ 25,000	\$ 29,308	\$ 30,000
503.3	COMMUNICATIONS	\$ 2,000	\$ 3,093	\$ 3,200
503.5	EQUIPMENT RENTAL	\$ 1,000	\$ -	\$ -
503.6.1	EQUIPMENT/TOOLS	\$ 5,000	\$ 5,020	\$ 5,000
503.8.1	MAINTENANCE GENERAL PLANT	\$ 7,000	\$ 18,607	\$ 15,000
	SCADA MAINTENANCE	\$ -	\$ -	\$ -
503.8.8	OTHER COMMON EXPENSES	\$ 3,000	\$ 2,220	\$ 2,000
	SUB-TOTAL COMMON EXPENSE	\$ 43,000	\$ 58,248	\$ 55,200
DISTRIBUTION EXPENSE				
504.1	TRANSMISSION LINES	\$ -	\$ -	\$ -
504.2	DISTRIBUTION LINES	\$ 10,000	\$ 3,324	\$ 20,000
504.3	SERVICE LINES	\$ 10,000	\$ (200)	\$ -
504.4	METERS	\$ 7,000	\$ 7,856	\$ 9,000
504.5	GATE VALVES	\$ 1,000	\$ 7	\$ -
504.6	HYDRANTS	\$ 1,000	\$ 316	\$ -
504.7	CONTRACTOR LABOR	\$ -	\$ -	\$ -
504.9	OTHER OPERATIONAL EXPENSES	\$ 2,500	\$ 2,328	\$ 2,500
	SUB-TOTAL DISTRIBUTION EXPENSE	\$ 31,500	\$ 13,631	\$ 31,500
PRODUCTION EXPENSE				
505.2	EQUIPMENT MAINTENANCE	\$ 8,000	\$ 17,991	\$ 22,000
505.3	BOOSTER MAINTENANCE	\$ 5,000	\$ 1,864	\$ -
505.1	ELECTRICAL POWER	\$ 35,000	\$ 28,632	\$ 35,000
505.5	GENERATOR MAINTENANCE	\$ 2,500	\$ 6,184	\$ -
505.6	WATER QUALITY SAMPLING	\$ 8,000	\$ 4,925	\$ 8,000
505.7	RESERVOIR MAINTENANCE	\$ 1,500	\$ -	\$ -
505.8	CONTROL VALVE MAINTENANCE	\$ 2,000	\$ 1,725	\$ -
505.9	OTHER PRODUCTION EXPENSES	\$ 1,000	\$ 3,643	\$ 1,000
	SUB-TOTAL PRODUCTION EXPENSE	\$ 63,000	\$ 55,875	\$ 63,000
TREATMENT EXPENSE				
506.1	TREATMENT PLANT MAINTENANCE	\$ 15,000	\$ 23,999	\$ 16,000
506.2	TREATMENT PLANT CONSUMABLES	\$ 1,000	\$ 277	\$ -
506.4	TREATMENT PLANT MONITORING	\$ -	\$ 703	\$ -
506.9	OTHER TREATMENT PLANT EXPENSES	\$ -	\$ 121	\$ -
	SUB-TOTAL TREATMENT EXPENSES	\$ 16,000	\$ 25,100	\$ 16,000
	FIELD OPERATIONS TOTAL	\$ 348,000	\$ 322,481	\$ 359,500

GENERAL AND ADMINISTRATIVE EXPENDITURES

These program costs are the remaining fixed operating or "overhead" costs required to maintain District operations. These include costs for management, office, billing and professional services

that support field and administrative functions. For the calendar year 2012 the District will need a total of \$485,920 for General and Administrative Salaries, Taxes and Benefits, General and Administrative Expenses, Office Expenses and Other Services.

Table 1-4 provides a summary of the General and Administrative Salaries, Taxes and Benefits, General and Administrative Expenses, Office Expenses and Other Services for calendar year 2012.

Table 1-4
GENERAL AND ADMINISTRATIVE

ACCT. #	DESCRIPTION	BUDGETED 2011	ESTIMATED 2011	PROPOSED 2012
G&A SALARIES				
510.6	WAGES - OFFICE	\$ 63,633	\$ 71,161	\$ 73,900
510.1	WAGES - GENERAL MANAGER	\$ 85,935	\$ 71,767	\$ 83,120
	SURFSIDE MANAGEMENT CONTRACT		\$ 20,000	\$ 24,000
520	TAXES AND BENEFITS - G&A	\$ 44,000	\$ 41,047	\$ 44,300
	SUB-TOTAL SALARIES	\$ 193,568	\$ 203,975	\$ 225,320
G&A EXPENSES				
546.4	INSURANCE	\$ 25,000	\$ 24,562	\$ 26,000
549.8	REFUNDS - DEPOSITS AND OVERCHARGES	\$ 1,500	\$ 988	\$ 1,500
549.81	OTHER G&A EXPENSES	\$ 1,000	\$ 169	\$ 1,000
	SUB-TOTAL G&A EXPENSES	\$ 27,500	\$ 25,719	\$ 28,500
OFFICE EXPENSES				
531.4	OFFICE SUPPLIES	\$ 8,000	\$ 12,501	\$ 10,000
535.02/541.3.1	TECHNICAL SERVICES	\$ 3,000	\$ 4,073	\$ 7,500
531.2	BILLING EXPENSES	\$ 21,000	\$ 20,201	\$ 21,000
542.1	TELEPHONE EXPENSES	\$ 7,000	\$ 6,799	\$ 7,000
544.3	PUBLIC RELATIONS	\$ 2,500	\$ 3,315	\$ 8,000
545.1	OFFICE RENT	\$ 17,000	\$ 15,600	\$ 16,400
545.3	EQUIPMENT RENT	\$ 3,400	\$ 4,108	\$ 4,300
547.1	UTILITIES	\$ 1,300	\$ 1,375	\$ 1,500
549.83	OTHER OFFICE EXPENSES	\$ 1,000	\$ 269	\$ 1,000
	SUB-TOTAL OFFICE EXPENSES	\$ 64,200	\$ 68,241	\$ 76,700
PROFESSIONAL SERVICES				
541.7	ENGINEERING SERVICES	\$ 2,000	\$ 247	\$ 7,500
541.5	LEGAL SERVICES	\$ 8,000	\$ 8,704	\$ 8,000
541.1	ACCOUNTING SERVICES	\$ 23,000	\$ 19,427	\$ 10,000
	METERREADERS	\$ -	\$ -	\$ 25,000
	SUBTOTAL PROFESSIONAL SERVICES	\$ 40,000	\$ 28,377	\$ 51,500
OTHER SERVICES				
549.2	DUES, SUBSCRIPTIONS AND MEMBERSHIPS	\$ 1,000	\$ 1,100	\$ 1,200
549.5	EDUCATION, CONVENTION AND TRAVEL	\$ 6,000	\$ 6,433	\$ 7,000
553	TAXES, FEES AND OPERATING PERMITS	\$ 74,000	\$ 81,055	\$ 86,700
549.85	OTHER EXPENSES	\$ 1,000	\$ 611	\$ 1,000
523.1	BOARD MEETING EXPENSES	\$ 6,000	\$ 7,349	\$ 7,000
	SUB-TOTAL OTHER SERVICES	\$ 88,000	\$ 97,488	\$ 103,900
	TOTAL GENERAL & ADMINISTRATIVE	\$ 413,768	\$ 423,801	\$ 485,920

DEBT SERVICES

Debt services are costs associated with the repayment of certain loans and bonds that funded the initial water company purchase and subsequent improvements and the Water System Plan. The Public Works Trust Fund loans:

No. 117 – Balance January, 1 2012 – \$736,842. Terms .5% interest. Matures June 2024.

No. 129 – Balance January, 1 2012 – \$736,842. Terms .5% interest. Matures June 2024.

No. 204 – Balance January, 1 2012 – \$20,000. Terms .0% interest. Matures July 2012.

Revenue Bond (Cashmere Bank) – Balance January, 1 2012 – \$2,921,835. Terms 4.42% interest. Matures June 2024.

The District will need a total of \$408,258 for Debt Service payments.

Table 1-5 provides a summary of the Debt Service expenses for calendar year 2012.

Table 1-5 DEBT SERVICES				
ACCT. #	DESCRIPTION	BUDGETED 2011	ESTIMATED 2011	PROPOSED 2012
DEBT SERVICES				
	PWTF LOAN #117	\$ 56,579	\$ 56,842	\$ 56,579
	PWTF LOAN #129	\$ 56,579	\$ 56,842	\$ 56,579
	CASHMERE BOND	\$ 275,100	\$ 275,100	\$ 275,100
	KOMATSU LOAN	\$ 8,548	\$ 8,585	\$ -
	PWTF #204 (WSP LOAN)	\$ 20,000	\$ 20,000	\$ 20,000
	SUB-TOTAL DEBT SERVICES	\$ 416,806	\$ 416,843	\$ 408,258

PERSONNEL

In order to provide high quality service to our customers, the District will need a total of 7 full-time employees.

Supply, Treatment, and Distribution	4
Management and Administration	3

In calendar year 2012 the District will need a personnel compensation budget consisting of \$336,120 for Salaries to employees and \$100,600 for taxes and benefits to employees.

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, the next rate increase will occur during the July 2012 billing cycle and will increase water and service charge rates by five (5) percent. Due to a rate increase and providing contract management services, we anticipate a net gain of \$161,182 in 2012. Considering the need to establish necessary reserves for the economic viability of the District and the need replace aging infrastructure and capital improvements in the near future, the General Manager recommends that the rate increase scheduled in 2012 is adequate and necessary to meet District needs. A new Rate Study to establish rates through 2017 should be completed in early 2012.

CAPITAL OPERATIONS AND CAPITAL IMPROVEMENTS

This chapter includes details of expenditures for construction of new permanent capital facilities; replacement of existing facilities; purchasing fixed assets for various programs in the District; and capital purchases as are necessary to maintain the quality of operations in the District.

Table 1-6 provides a detailed cost summary of 2012 Capital Improvements and Operations. Below is a summary for Capital Operations and Capital Improvements expenses that are necessary to maintain the quality of operations in the District.

Table 1-6

2012 CAPITAL IMPROVEMENTS AND OPERATIONS	
CAPITAL IMPROVEMENTS (WSP PROJECTS)	
DESCRIPTION	COST
AMR METER REPLACEMENTS	\$ 51,500
WATER DISTRIBUTION IMPROVEMENTS	\$ 20,000
TOTAL CAPITAL IMPROVEMENTS	\$ 71,500
OPERATIONAL REPLACEMENTS (NON-WSP PROJECTS)	
DESCRIPTION	COST
REPLACEMENT OF TRACTOR AND TRAILER	\$ 17,000
TOTAL CAPITAL OPERATIONS	\$ 17,000
TOTAL CAPITAL PROGRAM	\$ 88,500

CONSISTENCY WITH THE 2008 WATER RATE STUDY

In 2008 the NBPDA published its Water Rate Study (WRS) which was used by the District to establish water rates through 2012. The purpose of this study was to identify rates needed to pay for projected water system expenses and provide funds for an Operational Reserves Account and a Capital Reserves Account.

Reserve Funds are required for a water system to be in full compliance with the United States Department of Environmental Protection Agency rules¹ and the Washington State Department of Health rules². These rules define a water system capacity that includes three components, Technical, Managerial, and Financial. In other words a water system must have the knowledge, tools, and finances to assure it can provide safe reliable water now and into the future. Failure to provide adequate capacity may result in civil or criminal charges.

Operational Reserves are used to pay for operational unforeseeable expenses such as, vehicle repair or replacement, and small infrastructure repair or replacement with cash. This fund also acts as an emergency and disaster response fund. Operational Reserves are a higher priority than Capital Reserves.

Capital Reserves are used to improve or replace infrastructure and equipment that are identified in the Water System Plan.

The 2008 WRS predicted the:

Operational Reserve would be funded to \$353,612 by December 31, 2011. Today We project the Capital Reserve would be funded to \$1,080,649 by December 31, 2011.

Today we project the:

Operational Reserve will be funded at \$333,178 by December 31, 2011.

Capital Reserve will be funded at \$219,588 by December 31, 2011.

The Operational Reserve is \$20,434 below the 2008 WRS predictions.

The Capital Reserve is \$861,061 below the 2008 WRS predictions.

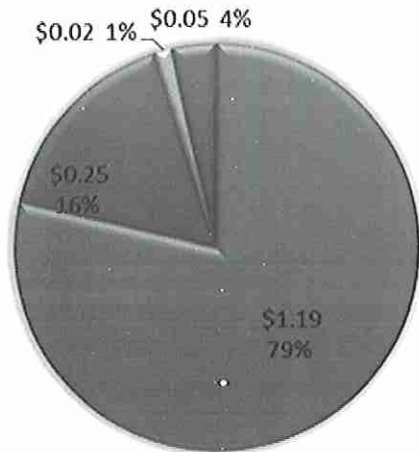
The Reserve funds are not at the levels predicted by the WRS because revenue predictions have not been realized and Capital Improvements and Operational Replacement Expenditures in 2008 - 2011. The 2008 WRS projected a total of \$5,856,824 in revenue for 2008 through 2011. The actual revenue for 2008 through 2011 was \$5,279,303. The missed revenue total is \$577,521. In addition to the missed revenue projection, \$315,000 for capital improvement projects and operational expenditures not identified in the WRS was spent.

The 2008 WRS was produced with little history on the part of management. The projections were further hindered by one of the most severe economic recessions in history. The General Manager recommends that the Rate Study for 2013 through 2018 revenue projections be made based on the extended history and take into consideration the possibility of further slow economic growth.

¹Safe Drinking Water Act

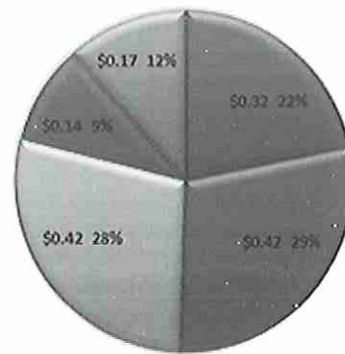
²WAC 246-290-035

Revenue 2011



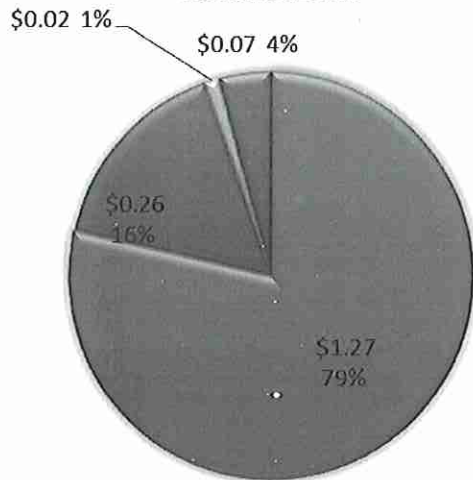
■ Service Charge ■ Metered Charge ■ Other ■ Non-Operational

Expenditures 2011



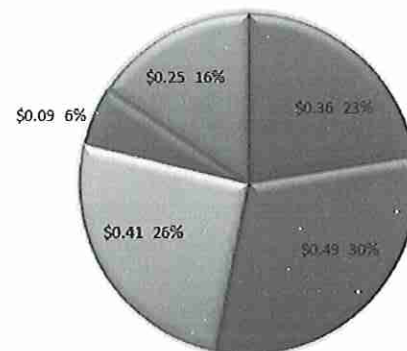
■ Field Operations ■ General and Administrative
 ■ Debt ■ Capital Improvements
 ■ Reserves

Revenue 2012



■ Service Charge ■ Metered Charge ■ Other ■ Non-Operational

Expenditures 2012



■ Field Operations ■ General and Administrative
 ■ Debt ■ Capital Improvements
 ■ Reserves