

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

**RESOLUTION NO. 20-2008**

**Adoption of North Beach Public Development Authority 2009 Budget**

**WHEREAS**, The North Beach Public Development Authority (NBPDA) requested that the General Manager of the North Beach Water Utility (Utility) prepare its 2009 Budget,

**WHEREAS**, The NBPDA held a public workshop on November 17, 2008 and on December 8, 2008, and a public hearing was conducted on December 15, 2009 and after said hearing the 2009 budget was adopted by the NBPDA,


**WHEREAS**, The District has reviewed the NBPDA 2009 Budget and desires to adopt said annual Budget for the Utility,

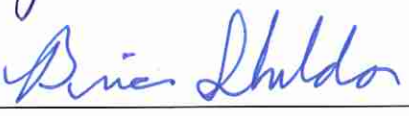
**BE IT RESOLVED** by the Board of Commissioners of the North Beach Water District, Pacific County, Washington, as follows:

The North Beach Water District adopts the North Beach Water Utility 2009 budget as made a part of this resolution.

**ADOPTED** by the Board of Commissioners of North Beach Water District, Pacific County, Washington, at a special meeting held on December 17, 2008.

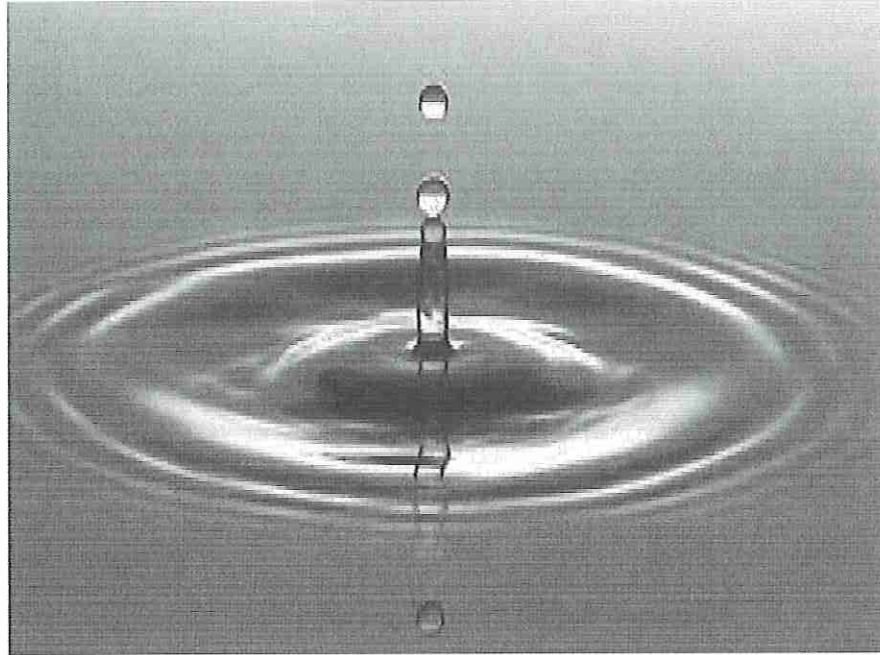
NORTH BEACH WATER DISTRICT

By   
Commissioner

By   
Commissioner

By not present  
Commissioner

*APPROVED DECEMBER 15, 2008*



# North Beach Water

## 2009 BUDGET

Michael J. Berlien  
General Manager

## TABLE OF CONTENTS

	<u>Page</u>
Mission	4
Introduction	5
Objectives and Assumptions	6
Executive Summary	7
Water Operations Fund	7
Water Revenues	10
Water Expenditures	12
General and Administrative	15
Debt Services	15
Personnel	19
Water Rates	19
Capital Operations and Improvements	19

## LIST OF TABLES

<u>Number</u>	<u>Title</u>	<u>Page</u>
1-1	Revenue and Expenditure Distribution	8 - 9
1-2	Revenue	11
1-3	Transmission, Distribution and Supply	13 - 14
1-4	General and Administrative	16 - 17
1-5	Debt Services	18
1-6	Capital Operations and Improvements	20

## *MISSION*

*The mission of North Beach Water 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 ("Utility") 2009 Budget Report is a detailed report on the revenues and expenditures expected in calendar year 2009. This Budget Report does not repeat a lot of detail that is already contained in the report on the Water System Plan.

In 2006, the North Beach Public development Authority (NBPDA) acquired the Ocean Park Water Company and the Pacific Water Company, two privately owned utilities serving customers in the Ocean Park, WA area. 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. The Utility operates the new, combined water system under the name of North Beach Water. In March 2008 voters approved the formation of the North Beach Water District (District) along with three publically elected commissioners. It is expected that the District will receive the assets and liabilities of the Utility in the near future and the NBPDA will be dissolved.

In 2007 Utility began the preparation of a Water System Plan (WSP). The WSP evaluates Utility's ability to provide for service of existing customers, provide for future demands, establish a schedule of system improvements necessary to provide adequate service, and assure continued compliance with the Federal Safe Drinking Water Act. The culmination of the WSP is a series of projects that the Utility needs to fund in order to provide a safe and adequate supply of drinking water to present and future customers. The WSP is not a collection of projected one-year budgets, but is a reference the Board of Directors can use to be better informed on decisions regarding the annual budgeting process. The Plan will be analyzed annually with the most recent information and corresponding budget data.

The preparation and adoption of a comprehensive budget and operating plan is essential for the sound management and financial administration of the Utility. As an enterprise type of utility the Utility is similar to a commercial operation whose expenditures may vary during the year in response to the timing and level of customer service demand. Decisions made throughout the year by the Board of Directors and the General Manager is balanced between the need to satisfy service requirements and budgetary constraints.

Water service demand is primarily influenced by water consumption practices, weather factors and the continued growth in the number of accounts served. Budget objectives must therefore be structured to respond to fluctuating service demands. As an emerging agency, Utility budgeting activities are projected from historical data and educated conclusions as a baseline to determine the appropriate funding level.



## *OBJECTIVES*

Special emphasis will be placed on accomplishing the following objectives during calendar year 2009.

- To continue to provide high quality water and dedicated customer service at a reasonable cost to our customers.
- To provide financial integrity through water rates, fees and charges.
- To maintain the policies and procedures defined in the Rules and Regulations adopted in Resolution 08-2008 and amended in Resolution 13-2008.
- To develop the Utility's employee efficiency through training and education programs.
- To complete Water System Plan objectives.

## *ASSUMPTIONS*

In preparing the 2009 Budget the following assumptions were used:

- The scheduled rate increase of 11% will occur in July 2009.
- Water sales will be 335 acre-feet (146,000 hundred cubic feet).
- Cost of living adjustment for employees will be 4.3%. This is based upon Bureau of Labor Statics for September 2007 to September 2008. This data is provided for assumption purposes only and is subject to change.  
[http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?data\\_tool=latest\\_numbers&series\\_id=CUUR0400SA0&output\\_view=pct\\_12mths](http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?data_tool=latest_numbers&series_id=CUUR0400SA0&output_view=pct_12mths)
- Employees will be enrolled in the State of Washington Public Employees' Retirement System Plan 1 with employer contributions of 5.46% of gross salary. This data is provided for assumption purposes only and is subject to change.  
<http://www.washington.edu/admin/hr/benefits/retirement/plans/pers1.html>
- Certain professional service costs will be incurred during the transition from the Utility to the North Beach Water District, and North Beach Water District directors will begin to receive a per-diem beginning January 2009.

## *EXECUTIVE SUMMARY*

A report of the significant findings and recommendations for the calendar year 2009 Budget are:

- Overall water consumption is projected to around 335 acre-feet.
- Annual Revenue is expected to be \$1,252,262 for the year 2009.
- Annual Water Fund expenditures are budgeted at \$1,249,988 for the year 2009.
- Capital Improvement/Operation Projects are budgeted this year at \$45,500.

## *WATER OPERATIONS FUND*

Utility activities identified in this budget are designed to accomplish the mission as it relates to water operations. For the calendar year 2009, the Utility will need a total budget of \$1,249,988 to carry out its mission.

The Budget Report presents relevant information of water operations.

The Utility 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 2009, it is projected that the Utility will deliver over 335 acre feet of water to over 2,600 active service connections.

All of the revenues and expenses that make the Utility operate flow either directly or indirectly through the Water Operations Fund. The Water Operations Fund source of revenue consists of water sales, miscellaneous billing, and interest earned on Water Operations Fund related investments.

The Water Operations Fund exists to finance operations, maintenance, repair, supplies, depreciation, contingencies, personnel compensation related to water operations, capital improvements and to provide a catastrophic restoration reserve.

Table 1-1 provides a summary of the Water Operations Fund revenues and expenditures for 2009 and compares those revenues and expenditures with the previous year.



Table 1-1

*North Beach Public Development Utility***REVENUE AND EXPENDITURE DISTRIBUTION**

DESCRIPTION	REVENUE		
	BUDGETED 2008	ESTIMATED 2008	PROPOSED 2009
OPERATIONAL	\$ 1,089,596	\$ 1,098,612	\$ 1,238,062
NON-OPERATIONAL	\$ 35,000	\$ 63,651	\$ 14,200
TOTAL REVENUE	\$ 1,124,596	\$ 1,162,263	\$ 1,252,262
	EXPENDITURES		
FIELD OPERATIONS	\$ 727,290	\$ 622,942	\$ 360,155
GENERAL AND ADMINISTRATIVE	\$ -	\$ -	\$ 409,380
DEBT SERVICES	\$ 389,836	\$ 426,932	\$ 434,953
CAPITAL OPERATIONS/IMPROVEMENTS	\$ 85,305	\$ 117,945	\$ 45,500
TOTAL OPERATIONAL	\$ 1,202,431	\$ 1,167,819	\$ 1,249,988
NET GAIN OR LOSS	\$ (77,835)	\$ (5,556)	\$ 2,274
	FUND BALANCE		
FUND BALANCE WITH RESERVES JAN. 1, 2008			\$ 603,036
ESTIMATE GAIN/LOSS 2008			\$ (5,556)
ESTIMATE FUND BALANCE JAN. 1, 2009			\$ 597,480
ESTIMATED OPERATING GAIN/LOSS 2009			\$ 2,274

ESTIMATED FUND BALANCE DEC. 31, 2009	<u>\$ 599,754</u>
DEBT SERVICE RESERVE	<u>\$ (410,364)</u>
OPERATIONAL RESERVE	<u>\$ (88,403)</u>
CAPITAL RESERVE	<u>\$ (26,979)</u>
TOTAL RESERVE SET ASIDE	<u>\$ (525,746)</u>
FUND BALANCE LESS RESERVES	<u><u>\$ 74,008</u></u>

### WATER REVENUES - OPERATIONAL

#### Water Sales:

Water sales are the major source of revenue to the Utility. These sales are the result of the Utility's normal meter reading and billing activities for all classes of water to all active service connections. The distribution of sales provides 80% as fixed sales allocated to the minimum charges on the basis of meter capacity and the remaining 20% being variable sales and allocated to the commodity charges. The Utility forecasts water sales at \$1,212,682. Water sales revenue is predicated on projected average consumption of 335 acre feet to 2,600 active services and includes construction water and miscellaneous billings.

#### Other Operational Revenues:

Connection, reconnection fees for services turned off for failure to pay a water bill, and other charges are projected at \$25,380.

### WATER REVENUES - NON-OPERATIONAL

#### Interest:

During the calendar year 2009 the Utility forecasts interest on Water Operations Fund related investments at \$13,200. The estimate is predicated on a projection of historical data and its relationship to current interest rates.

#### Other Non-Operational Revenues:

During the calendar year 2009 the Utility forecasts Other Non-Operational Revenues on Water Operations Fund related investments at \$1,000. This is primarily from the projected sales of scrap metal and surplus materials.

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

Table 1-2

*North Beach Public Development Utility***REVENUE**

ACCT. #	DESCRIPTION	PROPOSED 2009
	OPERATIONAL	\$ 1,238,062
	NON-OPERATIONAL	\$ 14,200
	TOTAL REVENUE	<u>\$ 1,252,262</u>
<b>OPERATIONAL REVENUE</b>		
	MONTHLY SERVICE CHARGE REVENUE	\$ 973,972
	METERED WATER SALES REVENUE	\$ 238,710
	WATER SERVICE CONNECTION FEES	\$ 18,680
	DELINQUENT BILL FEES	\$ 1,500
	NEW CUSTOMER FEES	\$ 4,000
	OTHER CUSTOMER FEES	\$ 200
	CUSTOMER BILLING ADJUSTMENTS	\$ 1,000
	TOTAL OPERATIONAL	<u>\$ 1,238,062</u>
<b>NON-OPERATIONAL REVENUE</b>		
	INTEREST REVENUE	\$ 13,200
	MISCELLENIOUS INCOME	\$ 1,000
	TOTAL NON-OPERATIONAL	<u>\$ 14,200</u>

## 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 \$191,155 for 2009. Common expenses are projected at \$45,000 for 2009.

### Distribution Expenses:

Distribution Expenses make up fixed and variable costs of the Utility. 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 Utility's control. These factors include failure rates of distribution equipment. Fixed costs are attributable to preventive maintenance activities such as valve and hydrant maintenance. The budget amount can be considered as the best projection of annual costs based on these assumptions. Distribution expenses are projected at \$43,000 for 2009.

### Production Expenses:

Production Expenses make up fixed and variable costs of the Utility. 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 Utility's control. These factors include weather, new construction, and changes in efficiency or failure rates of existing equipment. Fixed costs are attributable to preventive maintenance activities such as control valve and booster pump maintenance. The budget amount can be considered as the best projection of annual costs based on an average weather, growth and consumption. Production expenses are projected at \$72,500 for 2009.

### Treatment Expenses:

Treatment Expenses make up fixed and variable costs of the Utility. 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 Utility's control. These factors include weather, new construction and changes in efficiency or failure rates of existing equipment. The budget amount can be considered as the best projection of annual costs based on an average weather, growth and consumption. Treatment expenses are projected at \$8,500 for 2009.

Table 1-3 provides a summary of the Salaries, Common Expense, Distribution, Production and Treatment categories and sub-headings for calendar year 2009.



Table 1-3

*North Beach Public Development Utility***FIELD OPERATIONS**

ACCT #	DESCRIPTION	PROPOSED 2009
<b>SALARIES</b>		
	WAGES - FIELD	\$ 145,047
	TAXES AND BENEFITS - FIELD	\$ 46,108
	SUB-TOTAL SALARIES	\$ 191,155
<b>COMMON EXPENSE</b>		
	VEHICLE EXPENSES	\$ 30,000
	COMMUNICATIONS	\$ 2,500
	EQUIPMENT RENTAL	\$ 1,500
	EQUIPMENT/TOOLS	\$ 5,000
	MAINTENANCE GENERAL PLANT	\$ 5,000
	SCADA MAINTENANCE	\$ -
	OTHER COMMON EXPENSES	\$ 1,000
	SUB-TOTAL COMMON EXPENSE	\$ 45,000
<b>DISTRIBUTION EXPENSE</b>		
	TRANSMISSION LINES	\$ -
	DISTRIBUTION LINES	\$ 5,000
	SERVICE LINES	\$ 10,000
	METERS	\$ 25,000
	GATE VALVES	\$ 1,000
	HYDRANTS	\$ 1,000
	CONTRACTOR LABOR	\$ -
	OTHER OPERATIONAL EXPENSES	\$ 1,000
	SUB-TOTAL DISTRIBUTION EXPENSE	\$ 43,000
<b>PRODUCTION EXPENSE</b>		
	WELL MAINTENANCE	\$ 5,000
	BOOSTER MAINTENANCE	\$ 5,000
	ELECTRICAL POWER	\$ 45,000

Table 1-3

GENERATOR MAINTENANCE	\$	2,500
WATER QUALITY SAMPLING	\$	10,000
RESERVOIR MAINTENANCE	\$	-
CONTROL VALVE MAINTENANCE	\$	4,000
OTHER PRODUCTION EXPENSES	\$	1,000
SUB-TOTAL PRODUCTION EXPENSE	\$	<u>72,500</u>
TREATMENT EXPENSE		
TREATMENT PLANT MAINTENANCE	\$	5,000
TREATMENT PLANT CONSUMABLES	\$	2,500
TREATMENT PLANT MONITORING	\$	-
OTHER TREATMENT PLANT EXPENSES	\$	1,000
SUB-TOTAL TREATMENT EXPENSES	\$	<u>8,500</u>
FIELD OPERATIONS TOTAL	\$	<u>360,155</u>
PERSONNEL AUTHORIZED		4.0

### General and Administrative Expenditures

These program costs are the remaining fixed operating or "overhead" costs required to maintain Utility operations. These include costs for management, office, billing and professional services that support field and administrative functions. For the calendar year 2009 the Utility will need a total of \$409,380 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 2009.

### Debt Services

Debt services are costs associated with the repayment of certain loans and bonds that funded the initial water company purchases and subsequent improvements, along with loans for the Water System Plan and a backhoe. The four loans are Public Works Trust Fund loans Nos. 117, 129 and 204 along with a loan for a Komatsu backhoe. The bond is the Cashmere Bond. For the calendar year 2009 the Utility will need a total of \$434,953 for Debt Service payments.

Table 1-5 provides a summary of the Debt Service expenses for calendar year 2009.

Table 1-4

*North Beach Public Development Utility***GENERAL AND ADMINISTRATIVE**

ACCT #	DESCRIPTION	PROPOSED 2009
<b>G&amp;A SALARIES</b>		
	WAGES - OFFICE	\$ 61,640
	WAGES - GENERAL MANAGER	\$ 83,437
	TAXES AND BENEFITS - G&A	\$ 40,953
	SUB-TOTAL SALARIES	\$ 186,030
<b>G&amp;A EXPENSES</b>		
	INSURANCE	\$ 23,100
	REFUNDS - DEPOSITIS AND OVERCHARGES	\$ 1,000
	OTHER G&A EXPENSES	\$ 1,000
	SUB-TOTAL G&A EXPENSES	\$ 25,100
<b>OFFICE EXPENSES</b>		
	OFFICE SUPPLIES	\$ 14,900
	TECHNICAL SERVICES	\$ 3,000
	BILLING EXPENSES	\$ 14,400
	TELEPHONE EXPENSES	\$ 6,000
	PUBLIC RELATIONS	\$ 2,000
	OFFICE RENT	\$ 17,000
	EQUIPMENT RENT	\$ 4,250
	UTILITIES	\$ 1,300
	OTHER OFFICE EXPENSES	\$ 1,000
	SUB-TOTAL OFFICE EXPENSES	\$ 63,850
<b>OTHER SERVICES</b>		
	ENGINEERING SERVICES	\$ 15,000
	LEGAL SERVICES	\$ 18,000
	ACCOUNTING SERVICES	\$ 23,000
	DUES, SUBSCRIPTIONS AND MEMBERSHIPS	\$ 4,400
	EDUCATION, CONVENTION AND TRAVEL	\$ 4,000
	TAXES, FEES AND OPERATING PERMITS	\$ 65,000

Table 1-4

OTHER EXPENSES	\$	1,000
BOARD MEETING EXPENSES	\$	4,000
SUB-TOTAL OTHER SERVICES	\$	<u>134,400</u>
TOTAL GENERAL AND ADMINISTRATIVE	\$	<u><u>409,380</u></u>
PERSONNEL AUTHORIZED		3.0



Table 1-5

*North Beach Public Development Utility*

DEBT SERVICES		PROPOSED
ACCT #	DESCRIPTION	2009
DEBT SERVICES		
	PWTF LOAN #117	\$ 57,105
	PWTF LOAN #129	\$ 57,105
	CASHMERE BOND	\$ 275,100
	KOMATSU LOAN	\$ 25,643
	PWTF #204 (WSP LOAN)	\$ 20,000
	SUB-TOTAL DEBT SERVICES	\$ 434,953

## *PERSONNEL*

In order to maintain high quality service within the service area, the Utility will need a total of 7 full-time employees.

Transmission, Distribution and Supply	4
Management and Administration	3

In calendar year 2009 the Utility will need a personnel compensation budget consisting of \$290,124 for Salaries to employees and \$87,061 for taxes and benefits to employees.

## *WATER RATES*

On July 21, 2008 the Board of Directors 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 2009 billing cycle and will generally increase water and service charge rates by eleven percent. Based upon the predict net gain of approximately \$2,274 in 2009 and the need to establish necessary reserves for the economic stability of the Utility and the need to expend large amounts of funds in the near future for capital replacement projects, the General Manager recommends that the rate increase scheduled in 2009 is adequate and necessary to meet Utility needs.

## *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 Utility; and capital purchases as are necessary to maintain the quality of operations in the Utility.

Table 1-5 provides a detailed cost summary of 2009 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 Utility.

Table 1-6

*North Beach Public Development Utility*

**2009 CAPITAL IMPROVEMENTS AND OPERATIONS**

**CAPITAL IMPROVEMENTS**

DESCRIPTION	COST
SOUTH WELLFIELD DEL CD25 OZONE MACHINE	\$ 25,000
TOTAL CAPITAL IMPROVEMENTS	\$ 25,000

**CAPITAL OPERATIONS**

DESCRIPTION	COST
SHOP COMPRESSOR	\$ 2,500
PICK-UP TRUCK	\$ 18,000
TOTAL CAPITAL OPERATIONS	\$ 20,500
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$ 45,500</b>