

North Beach Water District

Commissioners

Brian Sheldon – Gwen Brake – Glenn Ripley

2019

Operations Budget

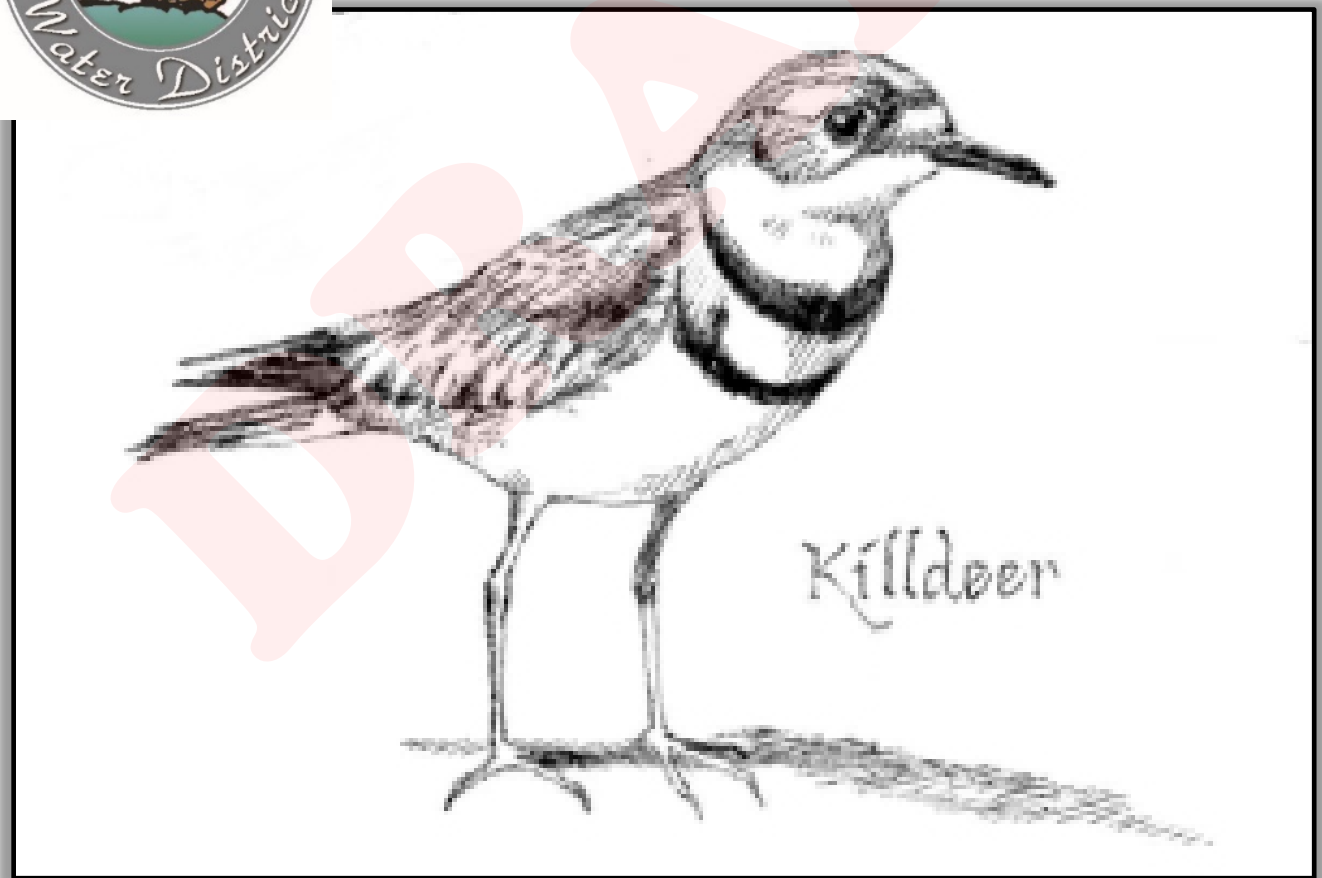


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MISSION STATEMENT

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 Board approved 2019 Operating Budget Report for North Beach Water District.

Background

In March 2008, voters approved the formation of the North Beach Water District (District) and elected three commissioners. In January 2009, the District acquired ownership of the Water System.

Planning

In 2015 the District submitted a revised Water System Plan (WSP) to the Department of Health for approval. The WSP presents both a long-term vision and a short term¹ plan for effectively and efficiently managing District resources to meet ratepayers' current and future needs. The District will use the WSP to:

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

One of the nine elements of the WSP is the capital improvement schedule. The capital improvement schedule identifies capital improvement projects and estimated costs. Depending on current needs and budget constraints, the District will complete the projects identified in the capital improvement schedules within the WSP short term planning horizon.

The Board of Commissioners will consider capital improvement projects identified in the WSP (including any revisions) when developing the annual operations budget. Although annual capital improvement projects will be planned each year based on current needs, regulatory requirements, and budget constraints, capital improvement projects identified in the WSP will generally be given priority in funding during the budget development process.

The preparation and adoption of an operating budget is essential for the management and financial administration of the District. As an enterprise utility, the District's 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

¹ Six years

Commissioners and the General Manager are balanced between the need to satisfy service requirements and budgetary constraints.

The District's 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.

The District's budgeting forecasts are based on historical data, condition of infrastructure, state and federally mandated compliance requirements, and foreseeable increases in operational costs.

The District currently provides residential, commercial, and industrial water through a water production and distribution system valued at \$6,600,000. During 2019, the District is forecasted to deliver approximately 60,000,000 million gallons of water to about 2,635 residential customers and 18,000,000 million gallons of water to 102 commercial customers.

OBJECTIVES

Special emphasis will be placed on accomplishing the following objectives during calendar year 2019.

1. To provide training and continuing education opportunities for employees that will provide ratepayers with a greater level customer service and increase work place efficiency and safety.
2. To operate the water system in compliance with all rules and regulations that apply to public water systems operating in Washington State.
3. To provide customers with an uninterrupted supply of safe, high-quality, dependable, fairly priced water.
4. To provide courteous, prompt, and professional customer service at all times.
5. To make fiscally responsible decisions that protect the financial sustainability of the District.
6. To be watchful for opportunities to increase the economy and efficiency of the water system infrastructure.
7. To fairly and equitably apply the Rules and Regulations adopted in Resolution 12-2008 and subsequent amendments.
8. To prioritize capital improvement decisions based on the Water System Plan.

ASSUMPTIONS

In preparing the 2019 Operations and Capital Improvement Budget, the following assumptions were used:

1. 2019 revenue percentage increase over 2018 ----- 2.9%
2. 2019 operational expenses Percentage increase over 2018----- 2.4%

3. 2019 administration expense percentage increase over 2018----- 2.5%
4. 2019 debt service expenses percentage increase over 2018----- 0.1%
5. 2019 Capital improvement projects are forecasted at -----\$580,000
6. 2019 projected revenue will exceed projected expenses by -----(\$272,994)
7. The operating budget anticipates preventative or foreseeable maintenance costs only. Costs associated with the repair or replacement of failed infrastructure will be paid for from reserve funds.

OPERATIONS ACCOUNT

All District revenues and expenses are deposited into and dispersed from the Operations Account. District revenues are grouped into two categories. Operational Revenue and Non-Operational Revenue.

Table 1-1 (next page) is a summary of the actual revenues and expenditures for 2018, the projected revenues and expenditures for 2018 and the budgeted revenues and expenditures for 2019.

BUDGET SUMMARY

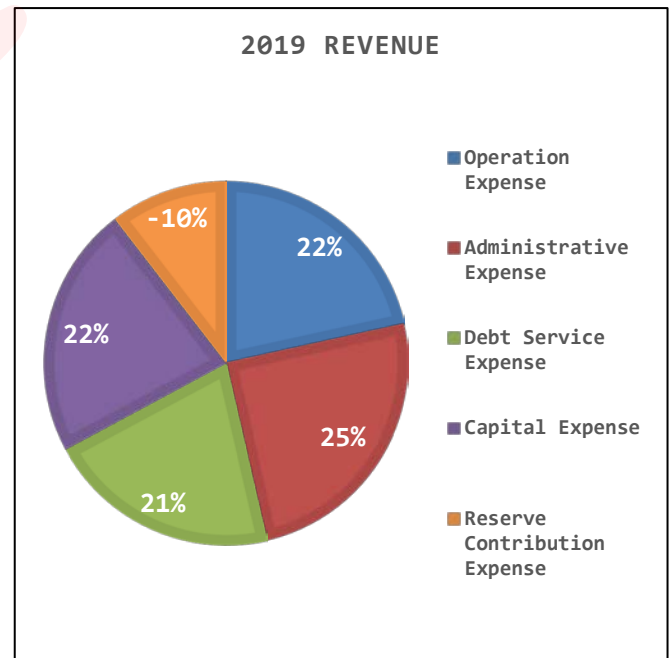
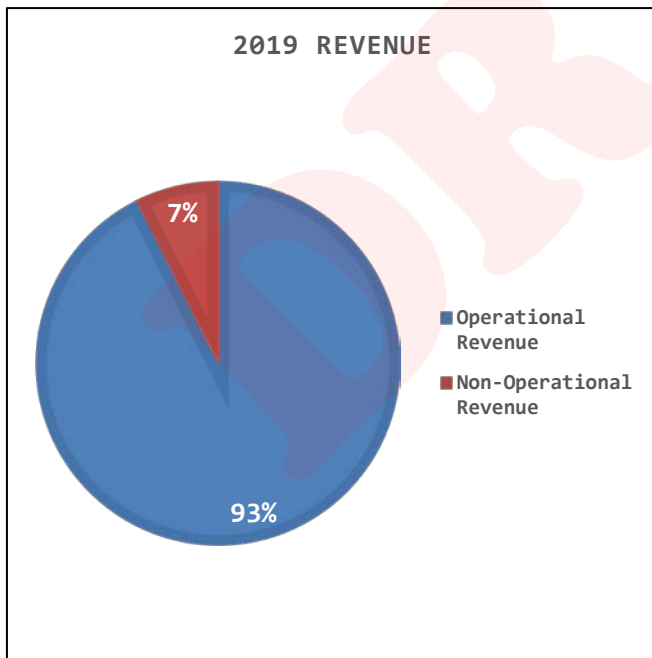
Table 1-1

REVENUES

DESCRIPTION	2017 ACTUAL	2018 PROJECTED	2019 BUDGETED
Operational Revenue	1,756,898	1,827,500	1,894,500
Non-Operational Revenue	148,445	160,300	151,850
TOTAL REVENUES	1,905,445	1,987,800	2,046,350

EXPENSES

DESCRIPTION	2017 ACTUAL	2018 PROJECTED	2019 BUDGETED
Operations Expense	486,039	544,100	557,500
Administrative Expense	543,474	627,089	643,110
Debt Service Expense	546,703	536,018	536,294
Capital Improvements Expense	295,437	282,000	580,000
Reserve Contribution Expense	33,793	(1,407)	(270,554)
TOTAL EXPENSES	1,905,446	1,987,800	2,046,350



WATER REVENUES

Operational Revenue:

Operational Revenue is revenue that District receives in the course of normal business of operating the water system. It includes the sale of water and charges and fees associated with the collection of water rates. Base rates and metered water sales are the District’s main source of revenue. Base Rates recover all or a portion of costs associated with customer service, administration, meters (capacity), base (water supply) treatment, and fire protection, whereas the Metered Rates recover all or a portion of costs associated maximum day and maximum hour supply (peaking).

In 2019:

base rates are forecasted to be -----	\$1,450,000
metered water sales are forecasted to be-----	\$ 385,000
new customer fees are forecasted to be-----	\$ 9,500
and delinquent/lock off fees are forecasted to be-----	\$ 50,000

Non-Operational Revenues:

Non-Operational revenue is revenue that the District generates from sources not associated with the normal business of operating the water system.

In 2019:

bank interest revenue is forecasted to be -----	\$25,000
connection fees revenue for new services is forecasted to be-----	\$50,000
management revenue for Surfside HOA is forecasted to be-----	\$65,400
reimbursable revenue for Surfside HOA is forecasted to be -----	\$ 2,500
customer services revenue is forecasted to be -----	\$ 3,000
sale of surplus equipment revenue is forecasted to be -----	\$ 5,000
good neighbor revenue is forecasted to be -----	\$ 950

Table 1-2 (next page) is a summary of the budgeted revenues for 2019 compared with the actual revenues for 2017 and the projected revenues for 2019.

Table 1-2

OPERATIONAL REVENUES

DESCRIPTION	2017 ACTUAL	2018 PROJECTED	2019 BUDGETED
Base Rate Revenue	1,350,456	1,400,000	1,450,000
Meter Rate Revenue	348,938	370,000	385,000
New Customer Revenue	8,577	9,500	9,500
Delinquent Lock-off Revenue	49,017	48,000	50,000
TOTAL OPERATIONAL REVENUES	1,756,989	1,827,500	1,894,500

NON-OPERATIONAL REVENUES

DESCRIPTION	2017 ACTUAL	2018 PROJECTED	2019 BUDGETED
Interest Revenue	21,943	25,000	25,000
Connection Fees	57,899	50,000	50,000
Surfside Management Revenue	58,950	70,850	65,400
Surfside Reimbursement Revenue	2,131	2,500	2,500
Customer Service Charge Revenue	2,740	3,000	3,000
Surplus Income Revenue	3,686	8,000	5,000
Good Neighbor Revenue	1,108	950	950
TOTAL NON-OPERATIONAL REVENUE	148,457	160,4300	151,850
TOTAL REVENUE	1,905,445	1,987,800	2,046,350

OPERATIONAL EXPENDITURES

Operational expenses are the normal and customary costs of operating and maintaining the water system. It includes the field wages and electricity, regular or preventative maintenance and small repairs, and other normal and customary costs of keeping the water system operational and in compliance with all federal and state rules and regulations.

Operational expense forecasts costs for preventative maintenance and minor repairs. Repairs to infrastructure can be extensive or localized and costs for those repairs are impossible to forecast. Therefore, extensive or costly repairs are not forecasted in the operating budget and will be funded by capital reserve funds authorized by the Board.

Field Payroll Expenses:

Field payroll includes wages and benefits for five (5) full time field employees.

The District's field employees are certified by the Washington State Department of Health to operate public water systems and water treatment plants. Your field employees receive continuing education in customer service and technical and mechanical operations of water systems.

Common Expenses:

Common expenses include vehicle operational costs, cell phones, equipment rental, equipment and tool purchases, safety equipment (i.e. signs, safety cones, safety training materials, and safety compliance equipment), and personal protective equipment (i.e. hard hats, gloves, boots, eye protection, ear plugs, and high visibility clothing), general plant maintenance (i.e. light bulbs, paint, and door locks).

Distribution Expenses:

Distribution expenses include preventative maintenance and minor repairs to customer meters (i.e. service meters, meter boxes, check valves, and meter setters). Distribution expenses also includes preventative maintenance and minor repairs to water mains (i.e. main breaks, fire hydrants, sample stations, valves, and valve boxes).

Production/Treatment Plant Expenses:

Production expenses include the purchase of electricity to operate mechanical equipment that pumps and treats water. Production expenses also include preventative maintenance to mechanical equipment, water wells, and storage reservoirs (i.e. submersible pumps, booster pumps, filters, generators, air compressors, and control valves).

Operational Expenses for 2019 are forecasted to be \$558,500. Table 1-3 (next page) provides a summary of the Operational expenses forecasted for 2019.

Table 1-3**FIELD PAYROLL EXPENSES**

Description	2017 Actual	2018 Projected	2019 Budgeted
Regular Wages	202,020	223,000	231,000
Overtime Wages	35,266	40,000	43,000
Taxes & Benefits	84,216	90,000	97,000
Total Payroll Expenses	321,502	353,000	371,000

COMMON EXPENSES

Description	2017 Actual	2018 Projected	2019 Budgeted
Vehicle Expense	18,412	20,000	20,000
Cellular Phones Expense	6,300	6,000	6,500
Equipment Rental Expense	933	1,000	1,000
Equipment/Tools Expense	7,913	12,000	12,000
Safety Equipment & PPE Expense	4,846	4,000	3,500
Maintenance – General	33,494	42,000	45,000
Other Common Expenses	107	2,500	2,500
Total Common Expenses	72,005	87,500	90,500

DISTRIBUTION EXPENSES

Description	2017 Actual	2019 Projected	2019 Budgeted
Meter/Service Box Expense	15,250	15,000	15,000
Distribution Lines Expense	8,014	11,500	10,000
Contract Labor Expense	6,132	5,500	5,000
Total Distribution Expenses	29,396	32,500	30,000

PRODUCTION/TREATMENT PLANT EXPENSES

Description	2017 Actual	2019 Projected	2019 Budgeted
Electricity Expense	35,539	36,000	36,000
Treatment Maintenance/Repair Expense	807	1,100	1,000
Production Maintenance/Repair Expense	6,097	1,500	1,500
Treatment Parts/Supplies Expense	7,443	15,000	12,000
Production Parts/Supplies Expense	0	1,500	1,500
Water Testing Expense	3,362	6,000	6,000
Generator Maintenance Expense	9,887	10,000	8,000
Total Production Expenses	63,135	71,100	66,000
Total Field Operations	486,039	544,100	557,500

Administrative Expenses

Administrative Payroll Expense:

Administrative payroll includes wages and benefit for the general manager, office manager, administrative associate and billing clerk.

Office Expenses:

Office expenses include purchases of office supplies, office equipment, software maintenance fees, technical services, billing expenses, telephone service, public relations, office utilities, and other office related expenses.

Professional Expenses:

Professional expenses include payments made to professionals such as lawyers, engineers, accountants, and other professional service providers.

Other Expenses:

Other expenses include dues and subscriptions to professional associations, travel and education for commissioners and employees, insurance, taxes and operating permit fees, and other administrative costs.

Administrative Expenses for 2019 are forecasted to be \$643,110.

Table 1-4 (next page) provides a summary of the General and Administrative expenses forecasted for 2019.

Table 1-4

ADMINISTRATIVE PAYROLL EXPENSES

Description	2017 Actual	2018 Projected	2019 Budgeted
Office Wages Expense	197,196	220,000	212,000
Surfside Management Expense	26,160	26,160	26,160
Employment Taxes and Benefits Expense	66,967	76,000	86,000
Total Administrative Payroll Expenses	290,323	322,160	324,160

OFFICE EXPENSES

Description	2017 Actual	2018 Projected	2019 Budgeted
Office Supplies Expense	6,886	7,000	7,000
Computer Expense	12,389	15,000	15,000
Billing Expense	19,240	20,000	22,000
Office Telephones Expense	3,111	3,800	4,000
Internet Expense	2,826	4,500	4,500
Public Relations Expense (Cross Connection)	9,985	2,500	2,500
Office Machine Rental Expense	4,427	4,500	4,500
Security Monitoring	443	500	500

Other Office Expense	368	700	500
Total Office Expenses	59,675	58,500	60,500

PROFESSIONAL SERVICES EXPENSES

Description	2017 Actual	2018 Projected	2019 Budgeted
Engineering/GIS/Surveying Expense	1,700	10,000	12,000
Legal Expense	6,384	40,000	50,000
Accounting Expense	500	500	500
Financial Services & Fees	14,141	8,000	8,000
Other Professional Expense	1,837	4,000	3,000
Total Professional Expenses	24,561	62,500	73,500

OTHER ADMINISTRATIVE EXPENSES

Description	2017 Actual	2018 Projected	2019 Budgeted
Dues & Subscriptions Expense	4,487	4,500	5,000
Commissioner Ed. & Travel Expense	0	0	1,500
Employee Ed. & Travel Expense	14,892	12,000	15,000
Liability Insurance Expense	39,026	43,000	48,000
Taxes, Fees & Permit Expense	104,552	102,000	108,000
Other Services Expense	30	100	500
Commissioner Compensation Expense	4,902	5,500	6,000
Good Neighbor Expense	1,027	950	950
Total Other Administrative Expense	168,915	168,050	184,950
Total Administrative Expenses	543,474	627,089	643,110

Debt Services Expenses

Debt services include payment of loans and bonds that funded the initial purchases and subsequent improvements for the water systems. The loans and bonds payments due in 2019 are:

Public Works Trust Fund Loan #117 (0.5% interest)

- o **Balance on May 1, 2019:**----- **\$368,424**
 - o Payment due on May 1, 2019: ----- \$54,474
 - Principal: ----- \$52,632
 - Interest: ----- \$1,842
 - o **Balance on May 2, 2019:**----- **\$315,792**

Public Works Trust Fund Loan #129 (0.5% interest)

- o **Balance on May 1, 2019:**----- **\$368,424**
 - o Payment due on May 1, 2019: ----- \$54,474
 - Principal: ----- \$52,632
 - Interest: ----- \$1,842
 - o **Balance on May 2, 2019:**----- **\$315,792**

Drinking Water State Revolving Fund Loan #DM12-952-121 (1.5% interest)

- o **Balance on September 30, 2019:**----- **\$802,011**
 - o Payment due on October 1, 2019: ----- \$57,254
 - Principal: ----- \$44,556
 - Interest: ----- \$12,699
 - o **Balance on October 2, 2019:**----- **\$757,455**

Drinking Water State Revolving Fund Loan #DM12-952-129 (1.5% interest)

- o **Balance on September 30, 2019:**----- **\$1,380,098**
 - o Payment due on October 1, 2019: ----- \$97,374
 - Principal: ----- \$76,672
 - Interest: ----- \$20,701
 - o **Balance on October 2, 2019:**----- **\$1,303,426**

2014 Water Revenue Bond (3.56% interest)

- o **Balance on December 1, 2019:**----- **\$2,790,000**
 - Interest Payment due June 1, 2019:----- \$59,220
 - Principal Payment due December 1, 2019:----- \$150,000
 - Interest Payment due December 1, 2019:----- \$59,220
 - o **Balance on December 2, 2019:**----- **\$2,635,000**

Debt Service expenses for 2019 are forecasted to be \$536,347.

Table 1-5 (next page) provides a summary of the Debt Service expenses for 2019.

Table 1-5

DEBT SERVICE EXPENSES

Description	2017 Actual	2018 Projected	2019 Budgeted
PWTF Loan #117 Expense	55,000	54,737	54,474
PWTF Loan #129 Expense	55,000	54,737	54,474
Water Revenue Bond Expense	272,565	270,765	273,440
Bias Software Expense	4,746	0	0
DWSRF Loan #121 Expense	69,202	57,255	56,586
DWSRF Loan #129 Expense	89,575	98,524	97,374
Total Debt Service Expenses	546,703	536,018	536,294

CAPITAL IMPROVEMENTS

Capital Improvement expenditures are for infrastructure improvements, tools, vehicles, maintenance equipment, planning, and feasibility studies needed to maintain reliable and quality operations of the District’s infrastructure and customer service.

Capital Improvements for 2019 are:

Bay Avenue Water Main Project

The water main on Bay Avenue between U Street and Park Avenue has suffered from multiple main breaks in recent years. The Bay Avenue Water Main Project will install new water main on Bay Avenue between U Street and Park Avenue. The Project will also include new fire hydrants and new taps and laterals to all water services. The estimated cost for this project is \$560,000.

Geographic Information System (GIS) Equipment:

The District began a GIS mapping project in 2014. The purpose of the GIS mapping project is to create a one go-to repository for all Water System data. The GIS mapping system will be used to:

- inventory critical infrastructure;
- create an asset registry;
- optimize the preventative maintenance program; and
- analyze water system performance.

The District will begin integrating the GIS data with customer information. The first step in this process is locating all meter services by coordinates (latitude and longitude). The District will be purchasing equipment that will provide a high degree of accuracy and efficiency to obtain these coordinates. The estimated cost for this equipment is \$20,000.

Capital Reserve Contribution. The District budgets money to be contributed to or drawn from its Capital Reserve Account each year. The Capital Reserve drawdown for 2019 is forecasted to be (\$270,554).

Table 1-6 (below) provides a summary of Capital Operations and Improvements for 2019 and previous years.

Table 1-6

CAPITAL IMPROVEMENTS

Description	2017 Actual	2019 Projected	2019 Budgeted
Budgeted Projects	4,008	230,000	580,000
Unbudgeted Board Approved Projects	291,429	52,000	0
TOTAL CAPITAL IMPROVEMENTS EXPENSES	295,437	282,000	580,000
CAPITAL RESERVE CONTRIBUTION	33,793	(1,407)	(272,994)

Fiscal Policy

The District adopted a fiscal policy on April 23, 2013 by Resolution 10-2013 and subsequently revised the fiscal policy on March 16, 2015 by Resolution 04-2015. The purpose of the Fiscal Policy is to 1) Emphasize revenue sufficiency, credit worthiness, and fiscal controls. 2) Provide fiscal guidance on the management of District accounts. 3) Ensure the safety of District investments and deposits while maximizing earnings on money that is not required for day to day operations. 4) Ensure sufficient liquidity is available to support operations. 5) Invest District funds within the statutory framework established for local governments by Washington State.

The District's Fiscal Policy includes an Accounts Policy that includes the following:

Each day the District deposits all revenue collected for that day into North Beach Water District's Operations Account at the Back of the Pacific which is administered by the Pacific County Treasurer. The Pacific County Treasurer maintains all accounts for North Beach Water District except the petty cash account.

Operation Account - Funds in the Operation Account are used for the day to day operations of North Beach Water District. The Pacific County Treasurer is requested to allocate all funds deposited into the Treasurer's general fund by North beach Water District into their Operation Account. In addition to day to day operations, these funds are used for emergency repairs or replacement of failed or failing equipment or vehicles. When the total of the Operations Account is \$550,000 or more the Board of Commissioners, at its next regular meeting, shall adopt a resolution transferring funds into the Capital Reserve Account sufficient to reduce the balance of the Operations Account to \$450,000 dollars. For the purpose of transfers, balances will be rounded to the nearest \$1,000

Capital Reserve Account – Funds in the Capital Reserve Account are used to fund Capital Improvement projects identified in the Water System Plan. Funds shall only be deposited into or withdrawn from the Capital Reserve Account by resolution of the Board of Commissioners of North Beach Water District.

Debt Reserve Account - No later than the last business day of each month the Pacific County Treasurer is requested to transfer funds from the Operation Account into the Debt Reserve Account. The Pacific County Treasurer is further requested to make payments on District loans, when due, from the Debt Reserve Account. The Board of

Commissioners shall adjust the debt transfer amount by resolution as loans mature or new loans are established.

Bond Debt Reserve Account - The Pacific County Treasurer is requested to maintain \$275,965.00 in the Bond Debt Reserve Account. The Pacific County Treasurer is further requested on the first business day of June, or as soon thereafter as possible, to transfer interest accrued in the Bond Debt Reserve Account the previous year into the Operation Account.

Petty Cash - The petty cash account is authorized in the amount of One Thousand Five hundred dollars (\$1,500.00) that will be deposited in a checking account with the Bank of the Pacific titled "North Beach Water District Petty Cash Account". The Petty Cash account is established by District Resolution 03-2012 and is operated in accordance with Washington State Budgeting, Accounting, and Reporting System (BARS).

Table 1-8 (below) Summary of forecasted balances of those accounts on December 31, 2019 compared to the balances for December 31, 2018.

Table 1-8

Account	Forecasted Balances for 12/31/2018	Forecasted Balances for 12/31/2019
Operation Account	\$425,000	\$450,000
Capital Reserve Account	\$1,100,000	\$825,000
Debt Reserve Account	\$60,000	\$60,000
Bond Debt Reserve Account	\$275,965	\$275,965
Petty Account	\$1,500	\$1,500
Total	\$1,862,465	\$1,612,465

WATER RATES

The Board of Commissioners approved revisions to North Beach Water District’s Rules and Regulations on December 22, 2014 by Resolution 30-2014. The revised rules and regulations include a 5-year rate structure developed by FCS Group of Redmond WA. On December 8, 2017 the Board adopted Resolution 34-2016 amending commodity rates for residential and commercial customers.