

North Beach Water District

Commissioners

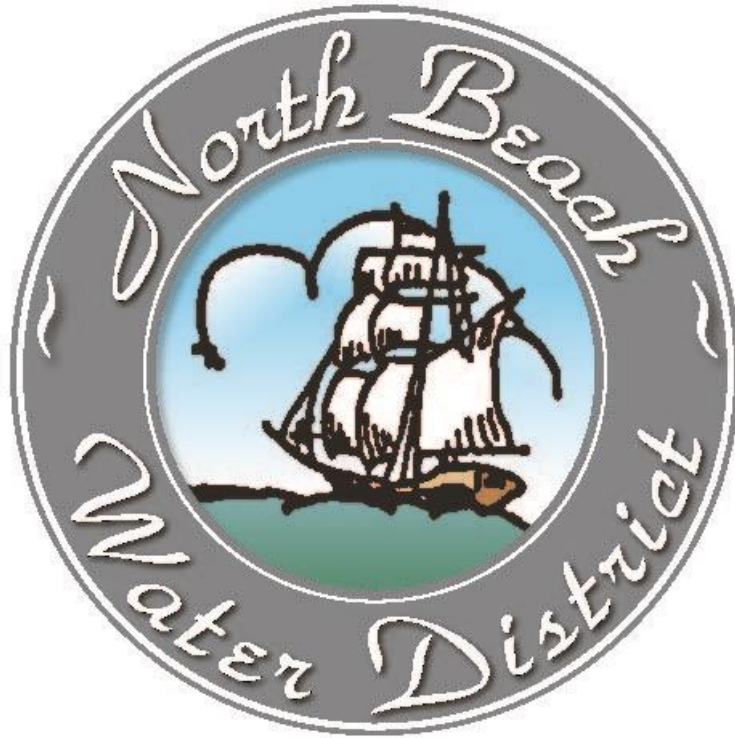
Brian Sheldon – Gary Flood – Glenn Ripley

2024 **Operations Budget**



Table of Contents

MISSION STATEMENT.....	2
INTRODUCTION.....	3
OBJECTIVES.....	4
ASSUMPTIONS.....	4
OPERATIONS ACCOUNT.....	5
BUDGET SUMMARY.....	6
Table 1-1.....	6
WATER REVENUES.....	7
Operational Revenue:.....	7
Non-Operational Revenues:.....	7
Table 1-2.....	8
OPERATIONAL EXPENDITURES.....	9
Field Payroll Expenses:.....	9
Common Expenses:	9
Distribution Expenses:.....	9
Production/Treatment Plant Expenses:.....	9
Table 1-3.....	10
ADMINISTRATIVE EXPENSES.....	11
Administrative Payroll Expense:.....	11
Table 1-4	11
Office Expenses:	11
Professional Expenses:.....	12
Other Expenses:	12
DEBT SERVICES EXPENSES.....	13
Table 1-5.....	14
CAPITAL IMPROVEMENTS.....	14
Table 1-6.....	15
FISCAL POLICY.....	15
Table 1-8.....	16
WATER RATES.....	16



MISSION STATEMENT

The mission of North Beach Water District is to provide safe 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 2024 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 \$7,000,000. During 2024, the District is forecasted to deliver approximately 72,760,000 million gallons of water to about 2,781 residential customers and 22,000,000 million gallons of water to 99 commercial customers.

OBJECTIVES

Special emphasis will be placed on accomplishing the following objectives during calendar year 2024:

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

ASSUMPTIONS

In preparing the 2024 Operations and Capital Improvement Budget, the following assumptions were used:

1. 2024 revenue percentage increase over 2023 ----- 2.6%
2. 2024 operational expenses Percentage increase over 2023----- 4.4%

3. 2024 administration expense percentage increase over 2023 ----- 6.9%
4. 2024 debt service expenses percentage increase over 2023 ----- -0.1%
5. 2024 Capital improvement projects are forecasted at ----- \$192,000
6. 2024 projected revenue will exceed projected expenses by ----- \$38,802
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 2022, the projected revenues and expenditures for 2023 and the budgeted revenues and expenditures for 2024.

BUDGET SUMMARY

Table 1-1

REVENUES

Description	2022 Actual	2023 Projected	2024 Budget
Operational Revenue	2,208,400	2,342,824	2,451,000
Non-Operational Revenue	170,374	145,257	143,000
Revenue	2,378,774	2,385,628	2,594,000

EXPENSES

Description	2022 Actual	2023 Projected	2024 Budget
Operation Expense	713,685	780,839	951,500
Administration Expense	729,848	797,772	890,200
Debt Service	520,696	521,098	521,498
Capital Improvements	212,103	88,802	192,000
Reserve Contribution	239,246	299,600	38,802
Expenses	2,378,774	2,488,111	2,594,000

WATER REVENUES

Operational Revenue:

Operational Revenue is revenue that District receives during 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 2024:

base rates are forecasted to be -----	\$1,837,000
metered water sales are forecasted to be -----	\$550,000
new customer fees are forecasted to be -----	\$9,000
delinquent/lock off fees are forecasted to be -----	\$55,000

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 2024:

bank interest revenue is forecasted to be -----	\$50,000
connection fees revenue for new services is forecasted to be -----	\$80,000
customer services revenue is forecasted to be -----	\$10,000
sale of surplus equipment revenue is forecasted to be -----	\$2,000
good neighbor revenue is forecasted to be -----	\$1,000

Table 1-2 (next page) is a summary of the budgeted revenues for 2024 compared with the actual revenues for 2022 and the projected revenues for 2023.

Table 1-2**OPERATIONAL REVENUES**

DESCRIPTION	2022 ACTUAL	2023 PROJECTED	2024 BUDGETED
Base Rate Revenue	1,684,567	1,776,543	1,837,000
Meter Rate Revenue	460,845	515,985	550,000
New Customer Revenue	12,626	8,828	9,000
Delinquent Lock-off Revenue	50,362	51,729	55,000
TOTAL OPERATIONAL REVENUES	2,208,400	2,353,085	2,451,000

NON-OPERATIONAL REVENUES

DESCRIPTION	2022 ACTUAL	2023 PROJECTED	2024 BUDGETED
Interest Revenue	23,285	59,908	50,000
Connection Fees	135,185	67,177	80,000
Customer Service Charge Revenue	7,981	13,065	10,000
Surplus Income Revenue	2,940	2,266	2,000
Good Neighbor Revenue	983	1,152	1,000
TOTAL NON-OPERATIONAL REVENUE	170,374	143,568	143,000
TOTAL REVENUE	2,378,774	2,496,653	2,594,000

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. 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 include 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 2024 are forecasted to be \$951,500. Table 1-3 (next page) provides a summary of the Operational expenses forecasted for 2024.

Table 1-3**FIELD PAYROLL EXPENSES**

Description	2022 Actual	2023 Projected	2024 Budgeted
Regular Wages	298,955	338,707	348,000
Overtime Wages	31,061	35,917	48,000
Taxes & Benefits	84,752	101,234	122,000
Total Payroll Expenses	414,768	475,858	518,000

COMMON EXPENSES

Description	2022 Actual	2023 Projected	2024 Budgeted
Vehicle Expense	20,013	34,634	40,000
Cellular Phones Expense	6,789	6,399	7,500
Equipment Rental Expense	1,461	1,878	2,000
Equipment/Tools Expense	6,360	6,930	20,000
Safety Equipment & PPE Expense	5,436	3,494	10,000
Parts & Supplies Expense	53,224	45,920	70,000
Other Common Expenses	2,408	2,428	2,000
Total Common Expenses	95,691	101,683	151,500

DISTRIBUTION EXPENSES

Description	2022 Actual	2023 Projected	2024 Budgeted
Meter/Service Box Expense	19,714	19,758	25,000
Distribution Lines Expense	13,097	23,171	32,000
Contract Labor Expense	1,097	2,378	5,000
Total Distribution Expenses	33,908	45,307	62,000

PRODUCTION EXPENSES

Description	2022 Actual	2023 Projected	2024 Budgeted
Electricity Expense	39,744	39,175	45,000
Treatment Maintenance/Repair Expense	11,712	13,331	17,000
Production Maintenance/Repair Expense	46,759	34,305	52,000
Treatment Parts/Supplies Expense	52,977	47,146	65,000
Production Parts/Supplies Expense	3,697	5,892	5,000
Water Testing Expense	7,563	10,686	16,000
Generator Maintenance Expense	6,866	13,487	20,000
Total Production Expenses	169,318	164,022	220,000
Total Field Operations	713,685	786,870	951,500

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 2024 are forecasted to be \$890,200.

Table 1-4 (below) provides a summary of the General and Administrative expenses forecasted for 2024.

Table 1-4

ADMINISTRATIVE PAYROLL EXPENSES

Description	2022 Actual	2023 Projected	2024 Budgeted
Office Wages Expense	264,320	295,290	320,000
Employment Taxes and Benefits Expense	91,782	103,565	110,000
Total Administrative Payroll Expenses	356,102	398,855	430,000

OFFICE EXPENSES

Description	2022 Actual	2023 Projected	2024 Budgeted
Office Supplies Expense	6,099	5,849	7,000
Computer Expense	16,583	20,464	20,000
Billing Expense	24,175	25,070	28,000
Office Telephones Expense	4,387	4,374	4,500
Internet Expense	5,003	5,234	5,500
Public Relations Expense (Cross Connection)	572	628	2,000
Office Machine Rental Expense	3,441	3,646	4,000
Security Monitoring	341	496	700

Other Office Expense	249	359	500
Total Office Expenses	60,850	66,120	72,200

PROFESSIONAL SERVICES EXPENSES

Description	2022 Actual	2023 Projected	2024 Budgeted
Engineering/GIS/Surveying Expense	9,525	26,220	35,000
Legal Expense	3,357	7,430	10,000
Accounting Expense	4,000	5,193	6,500
Financial Services & Fees	20,617	25,038	25,000
Other Professional Expense	8,980	7,807	8,500
Total Professional Expenses	46,479	71,688	85,000

OTHER ADMINISTRATIVE EXPENSES

Description	2022 Actual	2023 Projected	2024 Budgeted
Dues & Subscriptions Expense	4,918	5,312	7,500
Commissioner Ed. & Travel Expense	655	0	1,000
Employee Ed. & Travel Expense	9,941	9,660	12,000
Liability Insurance Expense	69,289	76,459	79,000
Taxes, Fees & Permit Expense	138,234	142,017	160,000
Other Services Expense	505	559	500
Commissioner Compensation Expense	41,888	42,670	42,000
Good Neighbor Expense	987	1,118	1,000
Total Other Administrative Expense	266,417	277,795	303,000
Total Administrative Expenses	729,848	814,458	890,200

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 2024 are:

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

- **Balance on May 1, 2024:** ----- **\$106,053**
 - Payment due on May 1, 2024: ----- \$53,158
 - Principal: ----- \$52,632
 - Interest: ----- \$526
 - **Balance on May 2, 2024:** ----- **\$52,895**

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

- **Balance on May 1, 2024:** ----- **\$106,053**
 - Payment due on May 1, 2024: ----- \$53,158
 - Principal: ----- \$52,632
 - Interest: ----- \$526
 - **Balance on May 2, 2024:** ----- **\$52,895**

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

- **Balance on September 30, 2024:** ----- **\$587,786.81**
 - Payment due on October 1, 2024: ----- \$54,918.31
 - Principal: ----- \$45,956.75
 - Interest: ----- \$8,961.56
 - **Balance on October 2, 2024:** ----- **\$532,868.50**

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

- **Balance on September 30, 2024:** ----- **\$1,009,623.26**
 - Payment due on October 1, 2024: ----- \$94,331.49
 - Principal: ----- \$78,938.49
 - Interest: ----- \$15,393.00
 - **Balance on October 2, 2024:** ----- **\$915,291.17**

2021 Water Revenue Bond (3.56% interest)

- **Balance on December 1, 2024:** ----- **\$2,346,967**
 - Interest Payment due June 1, 2024: ----- \$20,465.38
 - Principal Payment due December 1, 2024: ----- \$225,000.00
 - Interest Payment due December 1, 2024: ----- \$20,465.38
 - **Balance on December 2, 2024:** ----- **\$2,081,036**

Debt Service expenses for 2024 are forecasted to be \$521,498.

Table 1-5 (next page) provides a summary of the Debt Service expenses for 2024.

Table 1-5

DEBT SERVICE EXPENSES

Description	2022 Actual	2023 Projected	2024 Budgeted
PWTF Loan #117 Expense	53,684	53,421	53,158
PWTF Loan #129 Expense	53,684	53,421	53,158
Water Revenue Bond Expense	260,331	263,131	265,931
DWSRF Loan #121 Expense	56,297	55,608	54,919
DWSRF Loan #129 Expense	96,700	95,517	94,332
Total Debt Service Expenses	520,696	521,098	521,498

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 2024 are:

Distribution System Upgrade:

Replace 2" line on Park Avenue from 274th Place south to 270th Place. Everything in this section is a 2" line with little fire flow protection and a history of low-pressure issues at time of high demand. We will replace it with a 6" C900 line approximately 1,000 feet. There will be a fire hydrant installed on this line at 272nd Place. Estimated cost is \$42,000.

South Treatment Plant Upgrade:

North Beach Water District will be continuing with the pilot study with Gray and Osborne as our engineers. We will be introducing three new media. Those particular media were chosen so that this would reduce the likelihood of any costly plumbing modifications to the existing treatment train. Estimated cost of this project is \$100,000.

Water System Plan:

Washington Administrative Code (WAC) 246-290-100(1) requires all public water systems to demonstrate the system's operational, technical, managerial, and financial capability to achieve and maintain compliance with local, state, and federal plans and regulations and demonstrate how the water system will address present and future needs in a manner consistent with other plans and local, state, and federal laws, including land use plans.

WAC 246-290-100(3) states that the water system will develop comprehensive water system plans to demonstrate compliance with the above requirements.

WAC 246-290-100(9) states that water system plans will be updated every 10 years.

The District's current water system plan was completed in 2014/2015. An updated water system plan is required in 2024. Estimated cost is \$68,000.

Capital Reserve Contribution. The District budgets money to be contributed to or drawn from its Capital Reserve Account each year.

Table 1-6 (below) provides a summary of Capital Operations and Improvements for 2024 and previous years.

Table 1-6

CAPITAL IMPROVEMENTS

Description	2022 Actual	2023 Projected	2024 Budgeted
Budgeted Projects	162,981	53,802	192,000
Unbudgeted Board Approved Projects	49,122	35,000	0
TOTAL CAPITAL IMPROVEMENTS EXPENSES	239,103	88,802	192,000
CAPITAL RESERVE CONTRIBUTION	239,246	299,600	38,802

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 Bank 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, 2023 compared to the balances for December 31, 2024.

Table 1-8

Account	Forecasted Balances for 12/31/2023	Forecasted Balances for 12/31/2024
Operation Account	\$475,000	\$550,000
Capital Reserve Account	\$680,000	\$750,000
Debt Reserve Account	\$123,451	\$156,416
Bond Debt Reserve Account	\$275,965	\$275,965
Petty Account	\$1,500	\$1,500
Total	\$1,555,916	\$1,733,881

WATER RATES

The Board of Commissioners approved revisions to North Beach Water District's Rules, Regulations, and Rates 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. On December 23rd, 2019, the Board approved Resolution 18-2019 that was a revision to Resolution 30-2014 regarding rate and fee increases for the next 5 years effective January 2020 through 2024.