

# North Beach Water District

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*Commissioners*

*Brian Sheldon – Gary Flood – Glenn Ripley*

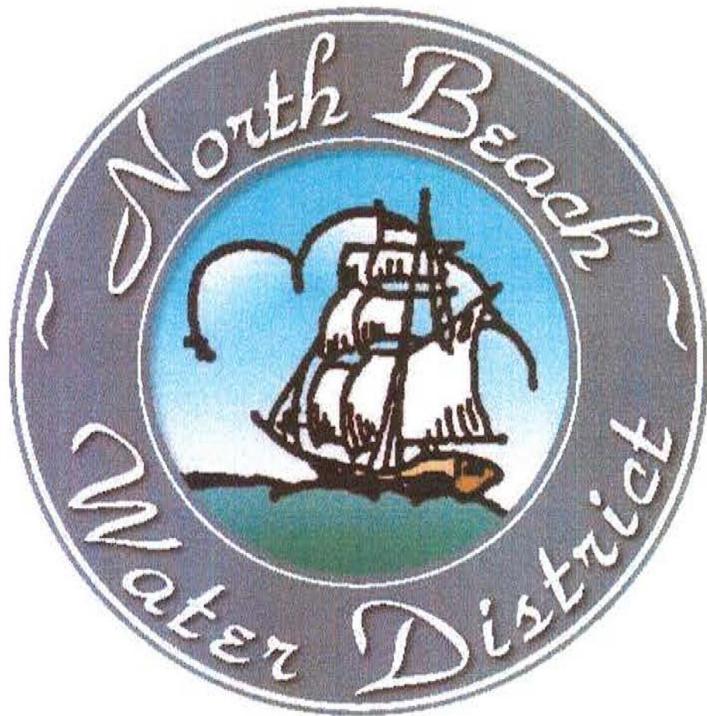
## **2026** *Operations Budget*



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#### **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 2026 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 2024 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 term, 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 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 2025, the District is forecasted to deliver approximately 72,760,000 million gallons of water to about 2,809 residential customers and 22,000,000 million gallons of water to 102 commercial customers. The District actually delivered 68,888,000 gallons of water to 2,818 residential customers and 16,902,857 gallons of water to 98 commercial customers. Forecast for 2026 expects 70,350,000 gallons of water to 2818 residential customers and 17,500,000 gallons of water to 98 commercial customers.

## **OBJECTIVES**

Special emphasis will be placed on accomplishing the following objectives during calendar year 2026:

- 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 2026 Operations and Capital Improvement Budget, the following assumptions were used:

1. 2026 revenue percentage increase over 2025 ----- 4.3%
2. 2026 operational expenses Percentage increase over 2025----- 5.9%
3. 2026 administration expense percentage increase over 2025----- 2.6%
4. 2026 debt service expenses percentage **Decrease** over 2025 -----25.8%
5. 2026 Capital improvement projects are forecasted at -----\$336,000
6. 2026 projected revenue will exceed projected expenses by ----- \$82,233
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 2024, the projected revenues and expenditures for 2025 and the budgeted revenues and expenditures for 2026.

## BUDGET SUMMARY

Table 1-1

### REVENUES

Description	2024 Actual	2025 Projected	2026 Budget
Operational Revenue	2,380,707	2,433,312	2,657,000
Non-Operational Revenue	176,781	150,779	141,500
<b>Revenue</b>	<b>2,557,488</b>	<b>2,584,091</b>	<b>2,798,500</b>

### EXPENSES

Description	2024 Actual	2025 Projected	2026 Budget
Operation Expense	767,381	726,664	992,700
Administration Expense	826,139	886,355	980,498
Debt Service	521,497	512,241	407,069
Capital Improvements	165,242	191,542	336,000
Reserve Contribution	277,230		
<b>Expenses</b>	<b>2,557,489</b>	<b>2,316,802</b>	<b>2,716,267</b>

## 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 2026:**

base rates are forecasted to be -----	\$1,970,000
metered water sales are forecasted to be -----	\$618,000
new customer fees are forecasted to be -----	\$9,000
delinquent/lock off fees are forecasted to be -----	\$60,000

### 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 2026:**

bank interest revenue is forecasted to be -----	\$58,000
connection fees revenue for new services is forecasted to be-----	\$70,000
customer services revenue is forecasted to be -----	\$10,000
sale of surplus equipment revenue is forecasted to be -----	\$2,500
good neighbor revenue is forecasted to be -----	\$1,000

Table 1-2 (next page) is a summary of the budgeted revenues for 2026 compared with the actual revenues for 2024 and the projected revenues for 2025.

**Table 1-2**

**OPERATIONAL REVENUES**

DESCRIPTION	2024 ACTUAL	2025 PROJECTED	2026 BUDGETED
Base Rate Revenue	1,841,607	1,885,339	1,970,000
Meter Rate Revenue	470,979	488,616	618,000
New Customer Revenue	9,872	7,568	9,000
Delinquent Lock-off Revenue	58,250	51,788	60,000
<b>TOTAL OPERATIONAL REVENUES</b>	<b>2,317,708</b>	<b>2,433,312</b>	<b>2,657,000</b>

**NON-OPERATIONAL REVENUES**

DESCRIPTION	2024 ACTUAL	2025 PROJECTED	2026 BUDGETED
Interest Revenue	84,537	67,575	58,000
Connection Fees	78,725	67,774	70,000
Customer Service Charge Revenue	8,796	10,899	10,000
Surplus Income Revenue	3,399	3,047	2,500
Good Neighbor Revenue	1,324	1,484	1,000
<b>TOTAL NON-OPERATIONAL REVENUE</b>	<b>176,781</b>	<b>150,779</b>	<b>141,500</b>
<b>TOTAL REVENUE</b>	<b>2,557,488</b>	<b>2,584,091</b>	<b>2,798,500</b>

## **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, 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 2026 are forecasted to be \$992,700.** Table 1-3 (next page) provides a summary of the Operational expenses forecasted for 2026.

**Table 1-3**

**FIELD PAYROLL EXPENSES**

Description	2024 Actual	2025 Projected	2026 Budgeted
Regular Wages	319,593	328,728	347,000
Overtime Wages	36,200	51,874	48,000
Taxes & Benefits	93,314	111,822	128,000
<b>Total Payroll Expenses</b>	<b>449,107</b>	<b>492,424</b>	<b>523,000</b>

**COMMON EXPENSES**

Description	2024 Actual	2025 Projected	2026 Budgeted
Vehicle Expense	33,821	34,715	45,000
Cellular Phones Expense	6,315	6,955	9,500
Equipment Rental Expense	2,101	2,135	11,200
Equipment/Tools Expense	8,093	5,972	20,000
Safety Equipment & PPE Expense	10,148	6,594	10,000
Parts & Supplies Expense	60,892	35,359	70,000
Other Common Expenses	2,281	2,481	2,000
<b>Total Common Expenses</b>	<b>123,651</b>	<b>94,210</b>	<b>167,700</b>

**DISTRIBUTION EXPENSES**

Description	2024 Actual	2025 Projected	2026 Budgeted
Meter/Service Box Expense	17,914	11,250	45,000
Distribution Lines Expense	23,857	12,693	32,000
Contract Labor Expense	0	4,437	5,000
<b>Total Distribution Expenses</b>	<b>41,771</b>	<b>28,380</b>	<b>82,000</b>

**PRODUCTION EXPENSES**

Description	2024 Actual	2025 Projected	2026 Budgeted
Electricity Expense	39,446	39,689	45,000
Treatment Maintenance/Repair Expense	8,200	10,974	17,000
Production Maintenance/Repair Expense	28,723	5,390	52,000
Treatment Parts/Supplies Expense	53,065	21,896	65,000
Production Parts/Supplies Expense	1,548	9,239	5,000
Water Testing Expense	11,906	3,871	16,000
Generator Maintenance Expense	9,895	20,591	20,000
<b>Total Production Expenses</b>	<b>152,852</b>	<b>111,650</b>	<b>220,000</b>
<b>Total Field Operations</b>	<b>767,381</b>	<b>726,664</b>	<b>992,700</b>

## **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 2026 are forecasted to be \$980,498.**

Table 1-4 (below) provides a summary of the General and Administrative expenses forecasted for 2026.

**Table 1-4**

### **ADMINISTRATIVE PAYROLL EXPENSES**

Description	2024 Actual	2025 Projected	2026 Budgeted
Office Wages Expense	323,512	335,849	344,098
Employment Taxes and Benefits Expense	107,134	102,823	115,000
<b>Total Administrative Payroll Expenses</b>	<b>430,646</b>	<b>438,672</b>	<b>459,098</b>

### **OFFICE EXPENSES**

Description	2024 Actual	2025 Projected	2026 Budgeted
Office Supplies Expense	6,123	6,139	7,000
Computer Expense	20,461	38,919	25,000
Billing Expense	27,249	29,105	30,000
Office Telephones Expense	4,481	4,111	4,700
Internet Expense	5,235	5,491	7,500
Public Relations Expense (Cross Connection)	779	1,173	2,000
Office Machine Rental Expense	3,307	3,948	4,000
Security Monitoring	467	516	700
Other Office Expense	387	118	500
<b>Total Office Expenses</b>	<b>68,489</b>	<b>89,520</b>	<b>81,400</b>

**PROFESSIONAL SERVICES EXPENSES**

Description	2024 Actual	2025 Projected	2026 Budgeted
Engineering/GIS/Surveying Expense	15,806	14,900	35,000
Legal Expense	188	1,095	10,000
Accounting Expense	5,470	6,142	6,500
Financial Services & Fees	25,752	30,197	35,000
Other Professional Expense	3,614	4,384	8,500
<b>Total Professional Expenses</b>	<b>50,830</b>	<b>56,717</b>	<b>95,000</b>

**OTHER ADMINISTRATIVE EXPENSES**

Description	2024 Actual	2024 Projected	2026 Budgeted
Dues & Subscriptions Expense	6,659	7,987	8,500
Commissioner Ed. & Travel Expense	169	0	1,000
Employee Ed. & Travel Expense	7,313	9,592	12,000
Liability Insurance Expense	83,808	92,189	110,000
Taxes, Fees & Permit Expense	135,402	148,811	170,000
Other Services Expense	404	461	500
Commissioner Compensation Expense	41,120	40,887	42,000
Good Neighbor Expense	1,299	1,518	1,000
<b>Total Other Administrative Expense</b>	<b>276,174</b>	<b>301,446</b>	<b>345,000</b>
<b>Total Administrative Expenses</b>	<b>826,139</b>	<b>886,355</b>	<b>980,498</b>

### 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 2026 are:

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

- o Balance on June 1st, 2025: ----- \$0.00

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

- o Balance on June 1st, 2025: ----- \$0.00

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

- o Balance on September 30, 2026: ----- \$551,021.43
  - o Payment due on October 1, 2026: ----- \$53,539.61
    - Principal: ----- \$45,956.75
    - Interest: ----- \$7,582.86
  - o Balance on October 2, 2026: ----- \$497,481.82

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

- o Balance on September 30, 2026: ----- \$946,438.50
  - o Payment due on October 1, 2026: ----- \$91,963.34
    - Principal: ----- \$78,938.49
    - Interest: ----- \$13,024.85
  - o Balance on October 2, 2026: ----- \$854,475.16

2021 Water Revenue Bond (2.397% interest)

- o Balance on December 1, 2026: ----- \$1,821,962.50
  - Interest Payment due June 1, 2026: ----- \$18,283.25
  - Principal Payment due December 1, 2026: ----- \$225,000.00
  - Interest Payment due December 1, 2026: ----- \$18,283.25
- o Balance on December 2, 2026: ----- \$1,560,395.50

Debt Service expenses for 2026 are forecasted to be \$407,069.45

Table 1-5 (next page) provides a summary of the Debt Service expenses for 2026.

**Table 1-5****DEBT SERVICE EXPENSES**

Description	2024 Actual	2025 Projected	2026 Budgeted
PWTF Loan #117 Expense	53,158	52,895	0
PWTF Loan #129 Expense	53,158	52,895	0
Water Revenue Bond Expense	265,931	259,075	261,566
DWSRF Loan #121 Expense	54,918	54,229	53,540
DWSRF Loan #129 Expense	94,332	93,147	91,963
<b>Total Debt Service Expenses</b>	<b>521,498</b>	<b>521,241</b>	<b>407,069</b>

**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 Improvement Projects for 2026 are:**

**Distribution System Upgrade:**

**New project for 2026.**

**Install** 1400 feet of 8" main line from 250<sup>th</sup> where we ended with the 8" line extension along U street to 245<sup>th</sup> Street. This will create a loop.

Estimated cost is \$37,500.00

**Install** mainline across U street at 250<sup>th</sup> to tie into existing mainline at W LN.

Estimated cost is \$10,000.00

**Paving** of Park Ave from 2025, new paving, Ust and 245<sup>th</sup> and 250 Ust.

Estimated cost is \$22,500.00

**Total \$70,000.00**

**Electrical installation** of variable speed drives

Estimated cost is \$16,000.00

**Antenna System Project:**

North Beach Water District will be installing two more antennas Both 85-feet in length. One at our property at 220<sup>th</sup> and V LN and another in the area of 204<sup>th</sup> along the 103 HWY. Advanced Metering Infrastructure Services (AMI). These sites would also need to have power installed. Meter boxes with metal lids must be removed, aging meters will be replaced and some with antennas that fasten to the lids. This allows us to link other meters in the surrounding areas. We will chain them into the process.

Estimated cost is \$50,000.00

**Vehicles:** We will purchase 2 new Ford F350 pickups with utility boxes on them.

Estimated cost is \$200,000.00

**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 2025 and previous years.

**Table 1-6**

**CAPITAL IMPROVEMENTS**

Description	2024 Actual	2025 Projected	2026 Budgeted
Budgeted Projects	146,368	144,890	336,000
Unbudgeted Board Approved Projects	18,874	46,652	0
<b>TOTAL CAPITAL IMPROVEMENTS EXPENSES</b>	<b>165,242</b>	<b>191,542</b>	<b>336,000</b>
<b>CAPITAL RESERVE CONTRIBUTION</b>	<b>(277,230)</b>	<b>317,358</b>	<b>82,233</b>

**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 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 1-7 (below) Summary of forecasted balances of those accounts on December 31, 2025 compared to the balances for December 31, 2026.

**Table 1-7**

Account	Forecasted Balances for 12/31/2025	Forecasted Balances for 12/31/2026
Operation Account	\$431,567	\$500,000
Capital Reserve Account	\$1,329,194	\$1,428,000
Debt Reserve Account	\$433,267	\$171,701
Bond Debt Reserve Account	\$275,965	\$275,965
Petty Account	\$1,500	\$1,500
<b>Total</b>	<b>\$2,471,493</b>	<b>\$2,377,166</b>

### **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 23<sup>rd</sup>, 2019, the Board approved Resolution 18-2019 that was a revision to Resolution 30-2014 regarding rate and fee increases for the next 6 years effective January 2020 through 2025.

On December 22, 2025 the board approved Resolution 4-2025, Rates 2026-2030.