

North Beach Water District

Commissioners

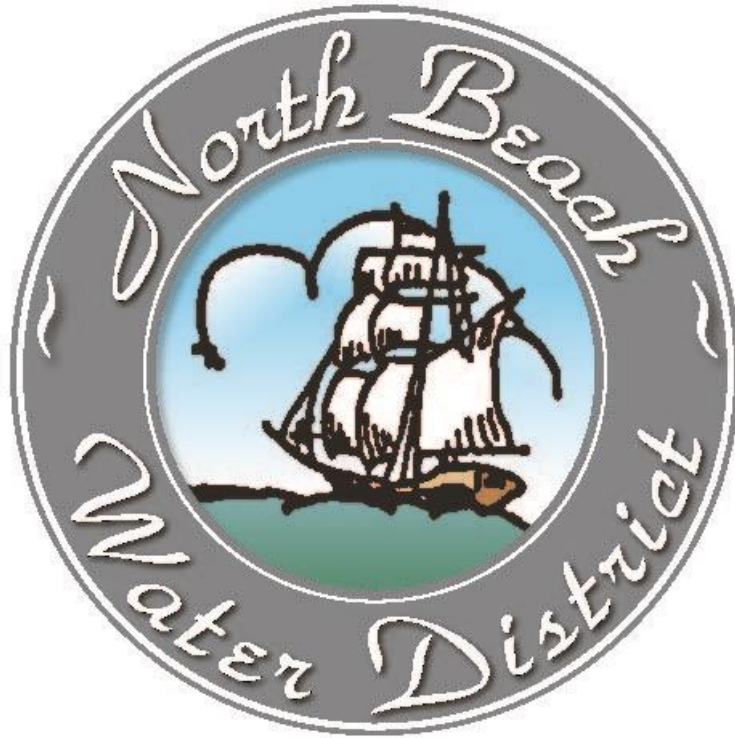
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2025 Operations Budget



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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 2025 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 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 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.

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 2025 Operations and Capital Improvement Budget, the following assumptions were used:

1. 2025 revenue percentage increase over 2024 ----- 3.2%
2. 2025 operational expenses Percentage increase over 2024----- -1.9%

3. 2025 administration expense percentage increase over 2024 ----- 6.7%
4. 2025 debt service expenses percentage increase over 2024----- -1.3%
5. 2025 Capital improvement projects are forecasted at -----\$250,000
6. 2025 projected revenue will exceed projected expenses by ----- \$28,647
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 2023, the projected revenues and expenditures for 2024 and the budgeted revenues and expenditures for 2025.

BUDGET SUMMARY

Table 1-1

REVENUES

Description	2023 Actual	2024 Projected	2025 Budget
Operational Revenue	2,332,288	2,406,534	2,517,000
Non-Operational Revenue	146,585	172,210	161,500
Revenue	2,478,873	2,578,744	2,678,500

EXPENSES

Description	2023 Actual	2024 Projected	2025 Budget
Operation Expense	794,838	735,352	933,700
Administration Expense	811,320	822,054	954,600
Debt Service	521,099	521,498	511,553
Capital Improvements	587,334	182,482	250,000
Reserve Contribution	(235,718)	317,358	28,647
Expenses	2,478,873	2,578,744	2,678,500

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 2025:

base rates are forecasted to be ----- \$1,898,000
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 ----- \$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 2025:

bank interest revenue is forecasted to be ----- \$58,000
connection fees revenue for new services is forecasted to be ----- \$90,000
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 2025 compared with the actual revenues for 2023 and the projected revenues for 2024.

Table 1-2**OPERATIONAL REVENUES**

DESCRIPTION	2023 ACTUAL	2024 PROJECTED	2025 BUDGETED
Base Rate Revenue	1,767,390	1,852,808	1,898,000
Meter Rate Revenue	504,346	484,925	550,000
New Customer Revenue	8,700	9,360	9,000
Delinquent Lock-off Revenue	51,852	59,441	60,000
TOTAL OPERATIONAL REVENUES	2,332,288	2,406,534	2,517,000

NON-OPERATIONAL REVENUES

DESCRIPTION	2023 ACTUAL	2024 PROJECTED	2025 BUDGETED
Interest Revenue	65,832	63,820	58,000
Connection Fees	64,679	94,398	90,000
Customer Service Charge Revenue	12,658	9,138	10,000
Surplus Income Revenue	2,272	3,533	2,500
Good Neighbor Revenue	1,144	1,321	1,000
TOTAL NON-OPERATIONAL REVENUE	146,585	172,210	161,500
TOTAL REVENUE	2,478,873	2,578,744	2,678,500

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 2025 are forecasted to be \$933,700. Table 1-3 (next page) provides a summary of the Operational expenses forecasted for 2025.

Table 1-3**FIELD PAYROLL EXPENSES**

Description	2023 Actual	2024 Projected	2025 Budgeted
Regular Wages	337,685	324,155	327,000
Overtime Wages	36,348	37,890	45,000
Taxes & Benefits	100,278	94,608	128,000
Total Payroll Expenses	474,311	456,653	500,000

COMMON EXPENSES

Description	2023 Actual	2024 Projected	2025 Budgeted
Vehicle Expense	33,858	38,138	40,000
Cellular Phones Expense	6,363	6,318	7,500
Equipment Rental Expense	1,721	2,150	2,200
Equipment/Tools Expense	7,377	3,114	20,000
Safety Equipment & PPE Expense	3,979	3,949	10,000
Parts & Supplies Expense	44,480	39,305	70,000
Other Common Expenses	2,423	2,502	2,000
Total Common Expenses	100,201	95,476	151,700

DISTRIBUTION EXPENSES

Description	2023 Actual	2024 Projected	2025 Budgeted
Meter/Service Box Expense	18,112	10,455	25,000
Distribution Lines Expense	21,310	24,945	32,000
Contract Labor Expense	3,107	0.00	5,000
Total Distribution Expenses	42,529	35,400	62,000

PRODUCTION EXPENSES

Description	2023 Actual	2024 Projected	2025 Budgeted
Electricity Expense	39,105	39,210	45,000
Treatment Maintenance/Repair Expense	16,001	9,009	17,000
Production Maintenance/Repair Expense	47,199	34,467	52,000
Treatment Parts/Supplies Expense	47,371	43,707	65,000
Production Parts/Supplies Expense	5,401	1,558	5,000
Water Testing Expense	9,945	9,617	16,000
Generator Maintenance Expense	12,775	10,255	20,000
Total Production Expenses	177,797	147,823	220,000
Total Field Operations	794,838	735,352	933,700

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 2025 are forecasted to be \$954,600.

Table 1-4 (below) provides a summary of the General and Administrative expenses forecasted for 2025.

Table 1-4

ADMINISTRATIVE PAYROLL EXPENSES

Description	2023 Actual	2024 Projected	2025 Budgeted
Office Wages Expense	298,166	321,745	331,000
Employment Taxes and Benefits Expense	103,577	108,868	115,000
Total Administrative Payroll Expenses	401,743	430,613	446,000

OFFICE EXPENSES

Description	2023 Actual	2024 Projected	2025 Budgeted
Office Supplies Expense	6,118	6,105	7,000
Computer Expense	18,990	12,705	45,000
Billing Expense	25,041	27,594	30,000
Office Telephones Expense	4,333	4,497	4,700
Internet Expense	5,215	5,233	5,700
Public Relations Expense (Cross Connection)	575	829	2,000
Office Machine Rental Expense	3,560	3,707	4,000
Security Monitoring	455	560	700

Other Office Expense	444	216	500
Total Office Expenses	64,731	61,446	99,600

PROFESSIONAL SERVICES EXPENSES

Description	2023 Actual	2024 Projected	2025 Budgeted
Engineering/GIS/Surveying Expense	24,035	18,967	35,000
Legal Expense	7,576	2,000	10,000
Accounting Expense	4,760	6,564	6,500
Financial Services & Fees	22,243	22,923	25,000
Other Professional Expense	7,213	4,154	8,500
Total Professional Expenses	68,827	54,608	85,000

OTHER ADMINISTRATIVE EXPENSES

Description	2023 Actual	2024 Projected	2025 Budgeted
Dues & Subscriptions Expense	5,491	7,583	7,500
Commissioner Ed. & Travel Expense	226	203	1,000
Employee Ed. & Travel Expense	10,549	9,253	12,000
Liability Insurance Expense	76,459	83,808	90,000
Taxes, Fees & Permit Expense	139,129	131,560	170,000
Other Services Expense	512	485	500
Commissioner Compensation Expense	42,528	41,222	42,000
Good Neighbor Expense	1,125	1,273	1,000
Total Other Administrative Expense	276,019	275,387	324,000
Total Administrative Expenses	811,320	822,054	954,600

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 2025 are:

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

- **Balance on May 1, 2025:----- \$52,895**
 - Payment due on May 1, 2025: ----- \$52,895
 - Principal: ----- \$52,632
 - Interest: ----- \$263
- **Balance on May 2, 2025:----- \$0.00**

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

- **Balance on May 1, 2025:----- \$52,895**
 - Payment due on May 1, 2025: ----- \$52,895
 - Principal: ----- \$52,632
 - Interest: ----- \$263
- **Balance on May 2, 2025:----- \$0.00**

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

- **Balance on September 30, 2025:-----\$605,250.40**
 - Payment due on October 1, 2025: -----\$54,228.97
 - Principal: -----\$45,956.75
 - Interest: -----\$8,272.22
- **Balance on October 2, 2025:-----\$551,021.43**

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

- **Balance on September 30, 2025:-----\$1,039,586.92**
 - Payment due on October 1, 2025: -----\$93,147.42
 - Principal: -----\$78,938.49
 - Interest: -----\$14,208.93
- **Balance on October 2, 2025:-----\$946,438.50**

2021 Water Revenue Bond (3.56% interest)

- **Balance on December 1, 2025:-----\$2,081,037.00**
 - Interest Payment due June 1, 2025:-----\$19,537.25
 - Principal Payment due December 1, 2025:-----\$220,000.00
 - Interest Payment due December 1, 2025:-----\$19,537.25
- **Balance on December 2, 2025:-----\$1,821,962.50**

Debt Service expenses for 2025 are forecasted to be \$512,242.

Table 1-5 (next page) provides a summary of the Debt Service expenses for 2025.

Table 1-5

DEBT SERVICE EXPENSES

Description	2023 Actual	2024 Projected	2025 Budgeted
PWTF Loan #117 Expense	53,422	53,158	52,895
PWTF Loan #129 Expense	53,422	53,158	52,895
Water Revenue Bond Expense	263,131	265,931	259,075
DWSRF Loan #121 Expense	55,608	54,919	54,229
DWSRF Loan #129 Expense	95,516	94,332	93,148
Total Debt Service Expenses	521,099	521,498	512,242

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 2025 are:

Distribution System Upgrade:

This is a continuing project from 2024. 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.

New project for 2025. Replace 500 feet of 8" main line from the entry point of the South Water Plant to the south side of 250th and Ash. This will be tied back together.

Estimated cost is \$50,000.

Treatment Plant Flowmeters:

North Beach Water District will be changing the piping at the North Treatment Plant for a more accurate reading as the current configuration is not optimal. At the South Treatment Plant, a flowmeter will be installed at the east side of the facility.

The estimated cost of this project is \$50,000.

Antenna System Project:

North Beach Water District will be installing two 100-foot cell towers for Advanced Metering Infrastructure Services (AMI). One of the towers will be at the North Wellfield next to the plant facility and the other will be located at 220th Street and V Lane. This site would also need to have power installed. The estimated cost is for both antennas with installation and power.

Another option is for North Beach to use existing towers. We are currently in talks with American Tower regarding this. If we do go with this option, the estimated cost should drop significantly.

Estimated cost is \$150,000.

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 2025 and previous years.

Table 1-6

CAPITAL IMPROVEMENTS

Description	2023 Actual	2024 Projected	2025 Budgeted
Budgeted Projects	85,524	159,833	250,000
Unbudgeted Board Approved Projects	501,810	22,649	0
TOTAL CAPITAL IMPROVEMENTS EXPENSES	587,334	182,482	250,000
CAPITAL RESERVE CONTRIBUTION	(235,718)	317,358	28,647

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 1-8 (below) Summary of forecasted balances of those accounts on December 31, 2024 compared to the balances for December 31, 2025.

Table 1-8

Account	Forecasted Balances for 12/31/2024	Forecasted Balances for 12/31/2025
Operation Account	\$475,000	\$500,000
Capital Reserve Account	\$1,050,000	\$1,100,000
Debt Reserve Account	\$126,900	\$130,000
Bond Debt Reserve Account	\$275,965	\$275,965
Petty Account	\$1,500	\$1,500
Total	\$1,929,365	\$2,007,465

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 6 years effective January 2020 through 2025.