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April 23, 2024

BUDGET MESSAGE FOR FISCAL YEAR 2024/2025

Introduction:

This year contained some unexpected surprises! The surprises included a dramatic pipe rupture, the District Manager's resignation, more failed valves, an employee on leave, and delays on planned capital improvement projects.

This budget document provides detailed information about the forecasted revenues and expenditures for the 2024 - 2025 fiscal year. It outlines all the major construction planned, as well as smaller improvement projects.

The proposed budget reflects the District's efforts to balance funding for distribution and treatment operations, keep user rates accessible to our local customer base, while also generating a surplus to contribute to our reserve fund.

Proposed Financial Policies:

The projected revenues are based on prior year trends of cash collected. We anticipate a slight decrease in inflation rates compared to years prior but still find goods and services costs to be higher than expected. In FY 2022, we saw a huge increase in development and new service hookups. Since then, we continue to see development and new services at a consistent and sustainable rate. We anticipate the same consistent growth for this FY.

The proposal contains a 9% rate increase. The percentage was determined by taking various factors into consideration. First and foremost, we consider years' prior. During the pandemic we did not raise user rates or fees at all. For the two consecutive years after, we were required to raise the rates 15% and 12% respectively to keep up with inflation. Secondly, we need to consider the District's financial position as it embarks on the \$5.9 million waterline project, a project vital to the longevity of the distribution system, but which we do not have a designated reserve fund. Lastly, since we did not start some of the capital improvements projects we budgeted for the 23 – 24 fiscal year, we are much closer to reaching our overall cash reserve goals. We imagine this rate increase will be manageable for our local customer base who are also subject to the same inflation rates, while reasonably meeting our operational and staffing needs.

Important Features:

The proposed budget for fiscal year 2024-2025 was prepared pursuant to Oregon Local Budget Law. We developed the budget on a cash basis. The District did not make any changes to accounting practices or procedures, nor does it anticipate any changes for the upcoming year.

The proposed budget consists of 7 pages covering the General Fund, the Construction Fund, and the Equipment Reserve Fund. The Construction Fund details most of the planned activity for the upcoming fiscal year.

Appropriation Changes:

In October, the District Manager resigned. He recommended to the Board of Directors that the Plant Operator and Administrative Assistant supervise the District in the interim. The job opening was widely advertised with water associations in Oregon, Washington, Nevada, and California. By January, no applications were received. Staff made a proposal to co-manage the District, which the Board of Directors accepted effective in February. Consequently, our allocations for Personnel Services on LB-31 have changed. There are two 'Manager' line items, and no budgeted amounts for Plant Operator or Administrative Assistant. The budget document also proposes the addition of a third Distribution Operator to keep the District fully staffed and to accommodate the development we've experienced.

Major Projects:

- **Valve Bolt & PRVs Replacement:** In December of 2022 we were awarded a grant and loan from Business Oregon for Emergency Bolt Replacement. We amended the original award by an additional \$250,000 to include replacing two Pressure Reducing Valves (PRVs). A Preliminary Engineering Report (PER) was conducted shortly after the valve failure emergency (August 2022), which identified the two PRVs as critical items to be replaced. The PRVs are old, deteriorated, and a potential fail-point in the delivery of water. The additional funds will be used to cover design and construction costs.
 - Subsequently, the Debt Service line items for SWDR 11-09-23 Loan and Principle were increased accordingly.

- **Waterline Project:** In April of 2023, the District was awarded \$5.9 million through the Safe Drinking Water Revolving Loan Fund for Waterline Improvements. The purpose of this project is to increase seismic resiliency, abandon hazardous pipe, and upsize lines for fire flow and future growth. We anticipate this project to be completed in late 2026, with budgeting continuing incrementally through the 2026-2027 fiscal year. We budgeted \$1.5 million for this year, which will finance engineering and design, putting the project(s) to bid, and construction contracting. We do not anticipate breaking ground until FY 26.

- **Water Treatment Plant Upgrade:** Over the past few years, we have modernized the controls at the Blodgett Treatment Plant. The next step is to do the same with the Dick's Fork Water Treatment Plant. This includes SCADA telemetry upgrades for more accurate monitoring, data

collection, controls, and reporting. We will also work on replacing the filter media and components. This project will be funded from internal reserves.

Other Improvement Projects:

We have also budgeted for smaller projects to increase safety and prepare for the future.

- **Fire Hydrants** are being evaluated in conjunction with the Yachats Rural Fire Protection. Our community has seen significant growth and development over the past few years and we are working to ensure the District continues to have adequate protection. Hydrants will be funded from internal reserves.
- **Water reservoir tank ladders** have been a long-time concern for Board Members, and we hope to install some at the Dick's Fork and Seabrook tanks this year. Ladders will be funded from internal reserves.
- **Water Meters** will be replaced for our mutual customers with the City of Waldport. This will tie in our system with their Automated Meter Reading System and give each entity access to consumption data and ease the billing process. Meters will be funded from internal reserves.
- **Water Management and Conservation Plan** will need to be updated from the 2015 version. This plan serves to renew our water rights to the creeks we pull surface water from and establishes a conservation plan in the event of a severe drought. We will work with a consultant to generate this report and will seek outside funding for the associated expenses.
- **Equipment Fund/Vehicles** remains on the budget. We did not make a vehicle purchase this year and would benefit from having a 1-ton dually 4x4 pickup truck with utility box. The desired truck is quite expensive and would be funded from internal reserves, so we are exploring affordable options.

Acknowledgement:

We are excited to contribute to the longevity of the water system in this upcoming year, and to continue to provide clean, safe drinking water with confidence.

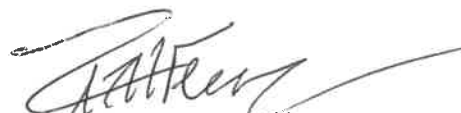
The Board of Directors and District staff extend our gratitude to the Budget Committee Members for their guidance, service, and time during the Budget Cycle.

We are happy to provide any supplemental information ahead of the Budget Committee Meeting. We look forward to seeing you at the District Office on Tuesday, April 30, 2024 at 10:30am.

Respectfully submitted,



Angela Vogl, Administrative Manager



Zachary Forcier, Operations Manager