

## **Budget Message**

### **Neah Kah Nie Water District**

#### **Fiscal Year 2026-2027 (July 1, 2026 through June 30, 2027)**

To the Board of Commissioners and Customers of the Neah Kah Nie Water District:

The proposed budget for the Neah Kah Nie Water District for fiscal year 2026-2027 has been prepared in accordance with Oregon Local Budget Law and reflects the District's commitment to maintaining safe, reliable, and financially sustainable water service for our community.

This budget was developed with careful consideration of the District's operational needs, infrastructure priorities, regulatory requirements, and long-term financial stability. The District continues to focus on providing consistent and healthy water, maintaining essential water system infrastructure, and planning responsibly for future improvements and emergencies.

---

## **Budget Priorities**

The primary goals of this year's budget include:

- Maintaining reliable water treatment and distribution services
- Supporting compliance with state and federal drinking water regulations
- Funding routine maintenance and necessary repairs to District facilities and equipment
- Continuing investment in infrastructure replacement and system resiliency
- Maintaining appropriate reserve funds for emergencies and capital needs

---

## **Revenue Overview**

To better serve our community, the board embarked on a long process to evaluate fees. For better clarity and transparency, the previous System Enhancement Fee has been broken out to its functional parts: Capital Improvement and Watershed Protection Debt Service.

As of July 1, 2026 the Base Rate and the Usage Fee structure are changing.

- Base Fee (\$51.88 per month)
- Water Usage Fee (see schedule below)
- Capital Improvement Fee (previously part of the System Enhancement Fee) (\$20 per month)
- Watershed Protection Debt Service Fee (previously part of the System Enhancement Fee) (\$65 per month)

**Water Use Tiers and Rates:** (CHANGE: implementing season rates)

Usage rates based on two month billing cycle for July through October:

- Tier 1: 0-6,000 gallons @ \$5 per 1,000 gallons
- Tier 2: 6,001-12,000 gallons @ \$10 per 1,000 gallons
- Tier 3: 12,001-18,000 gallons @ \$20 per 1,000 gallons
- Tier 4: over 18,001 gallons @ \$40 per 1,000 gallons

Usage rates based on two month billing cycle for November through June:

- Tier 1: 0-6,000 gallons @ \$4 per 1,000 gallons
- Tier 2: 6,001-12,000 gallons @ \$8 per 1,000 gallons
- Tier 3: 12,001-18,000 gallons @ \$16 per 1,000 gallons
- Tier 4: over 18,001 gallons @ \$32 per 1,000 gallons

The District continues to monitor rising costs associated with utilities, insurance, contracted services, materials, fuel, and regulatory compliance. Inflationary pressures and supply chain impacts continue to affect operational and capital expenses throughout the water utility industry.

---

## **Our Four Funds**

### **General Fund: Daily Operations**

The operating budget provides funding for the day-to-day activities necessary to operate and maintain the water system, including:

- Water treatment and testing
- Distribution system maintenance
- Emergency response readiness
- Customer service and billing
- Administrative and financial management
- Insurance, utilities, and professional services

Personnel costs continue to represent a significant portion of the operating budget, reflecting the importance of maintaining trained and certified operators to ensure safe drinking water and regulatory compliance.

### **Capital Improvements Fund (Change to Fund makeup)**

For better clarity into funds available for capital projects, Watershed Protection revenue and expenses has its own fund and is no longer combined with Capital Improvement funds.

The District continues to evaluate and prioritize capital improvement projects necessary to maintain long-term system reliability. Planned or anticipated projects may include:

- Pump, reservoir, and treatment facility upgrades

- SCADA and monitoring improvements
- Emergency preparedness improvements
- Equipment replacement
- Fire readiness and system resiliency enhancements

The District will continue pursuing grants and other funding opportunities to minimize impacts on ratepayers whenever possible.

### **Watershed Protection Debt Service Fund - NEW**

The Board has decided that it will be more descriptive and minimize confusion if the previous system enhancement fee of the water bill is renamed to more clearly describe the purpose of the charges. Therefore, the \$65 charge that is directed to repayment of the watershed loans will be called: "**Watershed Protection Debt Service Fund**". The \$20 charge that is used to repay the loans for the capital improvements in the "big project" of 2006 will remain in the "**Capital Improvement Fund**".

Per the loan documents, the District is required to collect these funds at this rate. This does create surplus monies in the fund, but this is still restricted to the debt service. The board may choose to use these funds in the future for extra principle payments.

### **Capital Improvement Reserve Fund**

The Capital Improvement Reserve Fund is specifically for long-term, high-cost capital/asset projects. A capital reserve is a "savings account" dedicated to the purchase, construction, or major repair of fixed assets. These funds typically have:

- A dedicated purpose
- Multi-year planning
- Restricted usage

---

### **Financial Position**

The proposed budget is intended to support operational stability, emergency response capability, and future infrastructure replacement needs. Maintaining adequate reserves is essential for a small utility system to respond to unexpected repairs, natural disasters, regulatory changes, or economic fluctuations.

The current Board of Commissions have been and continue to be champions of looking forward to best address present needs for improved future outcomes. The new Capital Improvement Fund lays bare the challenges we face as a community.

### **Looking Ahead**

The District recognizes the challenges facing small water providers in Oregon, including aging infrastructure, increasing regulatory requirements, workforce shortages, and rising operating costs.

Despite these challenges, the District remains committed to responsible financial management and providing high-quality water service to the community.

We appreciate the continued support and cooperation of our customers and community members.

Respectfully submitted,

Thia Pierson  
Budget Officer  
Neah Kah Nie Water District

Date: 5/10/26

Attachments:

Form LB-10 – The Budget

Appendix A – Proposed maintenance and capital project expenses