



ROXBOROUGH WATER AND SANITATION DISTRICT

October 10, 2019

Members of the Board of Directors

Ken Maas, Board President

Dave Heldt, Vice President

Keith Lehman, Secretary

Christine Thomas, Assistant Secretary

Phil Scott, Treasurer

GENERAL MANAGER'S BUDGET MESSAGE

I am pleased to present the Roxborough Water and Sanitation District (District or RWSD) draft budget for 2020. A public hearing on the budget will be held on November 19, 2019, at 8:00 a.m. at the Larry D. Moore Water Treatment Plant, 8678 N. Roxborough Park Road, Littleton, CO. This budget message provides background information, a comparison of the 2020 budget with the 2019, a summary of key accomplishments and challenges in 2019, and outlines the District's priorities and challenges for 2020.

As a special district and a water and wastewater utility, RWSD's costs and planning efforts revolve around our mission of providing high-quality, reliable water to our residents and safe, reliable wastewater collection to protect public health and the environment. Consistent with the District's mission, it is critical that the District provide quality water, reliable wastewater collection, and excellent customer service to our residents in a cost-efficient manner that includes reliability, resiliency and sustainability.

The underlying objective of the draft 2020 budget is to continue to build on our past success while planning for the challenges of the future.

BUDGET PROCESS, FORMAT AND BASIS

Management and staff work with our accountant, TWS Financial, to prepare the District's budget guided by the Board's policy direction. The general presentation format is to show the actual history of the last year (in this case 2018 actual), the current year adopted budget (2019), year-to-date financials and year-end estimates, and projected budget for the coming year (2020).

The draft 2020 budget has the same fund structure as the Adopted 2019 budget:

- Property Tax Summary Information



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- General Fund
- Debt Service Fund
- Capital Projects Fund
- Sewer Fund
- Water Fund
 - Water Fund – Distribution (Expenditures)
 - Water Fund – Treatment (Expenditures)

PLUM VALLEY HEIGHTS SUBDISTRICT (Subdistrict) OF ROXBOROUGH WATER AND SANITATION DISTRICT

The District develops a separate budget for the Subdistrict, but we are only using the Debt Service Fund to track the outstanding debt to the Colorado Water Conservation Board, for the water supply to serve the Subdistrict, and the Colorado Water Resources and Power Development Authority, for NWDC Project construction costs, and miscellaneous expenses such as legal and engineering related only to the Subdistrict. All administrative and operating expenses for the Subdistrict are included in the District's budget.

We are limited to collecting no more than \$450,000 in property taxes to service the debt in the Subdistrict Debt Service Fund. Since the assessed value in the Subdistrict has increased, the mill levy has been adjusted (lowered) to comply with this restriction.

2019 ACCOMPLISHMENTS AND CHALLENGES

Over the decades the District weathered bankruptcy, secured a permanent water supply, regionalized wastewater service, and charted a path for expansion of the District's service area and collaboration with nearby districts. It is my goal to continue to build on the District's legacy of success while also putting in place a more formalized process of documentation of operations and a more robust public outreach program.

Specifically in 2019, we implemented a new irrigation season schedule for water treatment plant operations that has been successful in controlling the overtime costs we experienced in 2017 and 2018. In 2019 we worked with Veolia Water to complete the setup of the Aquavista computer-assisted process optimization and documentation system. We are confident the Aquavista system will be fully implemented in 2020 and will provide the operators with another tool to predict and implement process changes, plan and document maintenance and regulatory monitoring, and provide streamlined access to operations manuals and training videos.

We successfully completed valve and blow off replacements in Village West to maximize the useful life of the water lines, and also identified and addressed issues that will help prevent future breaks.



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We completed the project to fully integrate the distribution system in Ravenna with the District's Zones 1 and 2. This project was funded by a loan from the Colorado Water Conservation Board that will be repaid by rates charged to Ravenna residents. We also addressed a number of issues with the Ravenna distribution system to ensure the Ravenna system is consistent with the District's Rules and Regulations.

The District continued a more active public outreach program in 2019. We hosted the community at an open house at the water treatment plant, continued the General Manager's blog on the website (Barb's Blog), and followed up directly with residents expressing concerns with the District on social media. The District again sponsored for the Northwest Douglas County Economic Development Council's Cowboys After Dark fundraiser for the junior livestock association and the Roxborough Music Festival. We continue to work collaboratively with Douglas County to look for solutions to water supply and centralized wastewater service alternatives for areas in need of additional services.

The District made significant progress on the update to our Master Plan that will map the transition from a growth and capital project mode of operation to a fixed asset replacement and planning for build-out focus. Task 1 of the Master Plan update was a complete analysis of the District's water supply and wastewater conveyance capacity. That analysis showed the District has an adequate water supply to meet all of the needs of existing residents and in-fill development, identified some capacity constraints in the distribution system, and quantified the potential need to develop additional water supplies. Task 2 was the development of a 10-year capital improvement plan, or CIP, that is the basis for the 2020 capital improvement budget and planning for replacement fund needs.

2020 PRIORITIES AND CHALLENGES

In 2020 the District's priority is to complete the Master Plan update. This update will provide the District with a road map for future fixed asset replacement and costs. The District maintains a responsibility to provide water and wastewater services to our customers, and fixed asset replacement reserves are necessary to be able to repair and replace aging assets as needed. TST estimates the replacement cost of the water system would be approximately \$285,000,000, and the replacement cost of the wastewater system would be approximately \$275,000,000. Should the District's fixed asset replacement reserves be insufficient to provide these repairs and replacements, additional rate increases or debt would be required. This is exactly why the Water System Replacement Fund and Sewer System Replacement Fund monthly charges are important to maintain and analyze on an annual basis to ensure the District has the funds needed to maintain efficient, reliable service.

Given the recurrent nature of drought in Colorado and the need to preserve and protect our sustainable water supply, the District increased its public outreach concerning water conservation in 2019. The Board adopted a



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revised tiered rate structure in 2019 that includes a Tier 1 that meets the indoor water needs of 98% of our residents, and the year round needs of about 96%. A new Tier 2 increases the usage charge for those residents that choose to irrigate more landscaping. We didn't receive any complaints in response to this change in rates. We also developed collaborative partnership with Resource Central, the nonprofit that sells "Garden in a Box" that provides xeriscape alternatives to turf. In our first year in the program, all 25 coupons sold out. In 2020, we plan to collaborate with Douglas County and other small districts on a Colorado Water Plan grant to update our joint Water Conservation Plan that was originally done in 2011.

We will also continue to grow the overall public outreach program in 2020. Responding personally to customer concerns, completing a full update of the website, and hosting the open house at the water treatment plant as an annual event.

Capital projects planned in 2020 include:

- Complete an alternatives evaluation and implement a permanent sludge dewatering system at the water treatment plant (50% to be funded by Dominion Water and Sanitation District (DWSD));
- Add a new high-service pumps (2020 and 2021) at the water treatment plant to provide redundancy with the clear wells (50% DWSD);
- Complete final closure of the backwash pond for the old water treatment plant (100% RWSD), and convert it to an emergency containment basin (50% DWSD);
- Evaluate alternative wastewater pumps and design addition of a fourth pump at the RWSD Lift Station (previous capital contribution by DWSD);
- Design the replacement of the sewer in Rock Wren;
- In cooperation with Denver Water, DWSD and Ravenna, make improvements to Caretaker Road;
- Complete the Feasibility Study for Lambert Reservoir and an alternatives analysis for putting the water to use;
- Finalize agreement with Aurora regarding relocation of the irrigation water pump station; and
- Continue to pursue alternate irrigation water supplies.

To avoid unanticipated/unbudgeted water or sewer line replacement or repair projects, we have budgeted for \$1.2M in the water distribution and the sewer funds. The District inspects its entire sewer collection system every 3 years and no large-scale issues have been identified, but we know areas in the Park have nearly 50-year old clay pipes that need to be addressed. Any unused funds budgeted for water and sewer line repair/replacement in 2020 will roll over into fixed asset replacement reserves. Reserve fund balances will be evaluated annually to maintain a balance between controlling rates and planning for future needs.

In 2019 I reported to the Board about the challenges the District was facing attracting new employees and my concern that we were at risk of losing good employees to other districts if we didn't adjust our compensation. In May, the District made market adjustments to the salaries of a number of employees that had below-market salaries. The District has also experienced increased costs for health insurance over the last several years. From



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2010 through 2019, the District payroll, benefits and taxes were maintained at total salaries plus 44%. For 2020, I am proposing that the overall personnel budget be increased to total salaries plus 46% to provide the flexibility needed to keep our great employees.

2019 – 2020 BUDGET COMPARISON

Property Taxes Summary: The District's assessed value is projected to increase over \$18M, which will result in an increase in General Fund property tax revenues of \$169,371. The District proposes to increase its General Fund transfers to the Water and Sewer Funds and dedicate these increased revenues to fixed asset replacement reserves. Due to the increased assessed value, the debt service mill levy will be reduced from 4.5 to 3.06 so as not to collect more than the necessary to make annual bond payments and maintain debt service reserves.

General Fund: The General Fund budget will increase \$154,000, or 32%, in 2020 versus 2019. This increase is due almost entirely to the need to update the District computer servers and personal computers to replace outdated equipment that is out of warranty and prone to failure. The District has experienced a number of problems related to the outdated servers over the last year, including monthly interruptions in our ability to communicate with our on-line billing system, ADG, and a complete loss of the system in late August. The planned upgrades will include the addition of a separate server for water treatment plant operations to improve security and reliability.

Debt Service Fund: As stated previously, the debt service mill levy will be reduced to reflect the increase in the District's assessed value. With completion of the project to integrate the Ravenna distribution system, repayment of the loan from the Colorado Water Conservation Board will begin with funds provided by the Ravenna residents through a monthly surcharge on their water bills.

Capital Projects Fund: With the completion of the water treatment plant, this fund will now be used to track large capital projects related to system capacity improvements needed to provide fire flows to Douglas County's Emergency Vehicle Operations Center (EVOC) and relocation of the irrigation water pump station. The projects will be funded through funds contributed to the District by the Ravenna Metro District as part of the inclusion and anticipated capital contributions from the County.

Sewer Fund: Sewer fund revenues are expected to be stable for 2020. Sewer fund expenses increased \$570,000, or 16.7%, to reflect planned sewer system capital improvements and the \$1.2M budget for sewer line replacement and repairs, which is being implemented to avoid unbudgeted, emergency expenses.

Water Fund: Water fund revenues are projected to decrease nearly \$1M as a result of lower projected System Development Charges now that nearly all of the Subdistrict residents have paid their SDCs. Water fund



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expenses will increase \$378,000, or 5.8%, due to increased payroll costs and capital costs for 2020. Water distribution expenses are expected to increase 2%. Water treatment expenses are expected to decline 27% as a result of lower tap fees due the Centennial Water and Sanitation District for the Subdistrict. As discussed earlier in this report, overtime costs at the water treatment plant were down in 2019 as a result of a new irrigation season schedule for the operators, and we hope to see additional savings in 2020 with the full implementation of Aquavista.

The District's goal in preparing this draft budget was to be careful stewards of the ratepayers' dollars while maintaining the District's strong financial position and our ability to provide reliable, cost-efficient service.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Barbara Biggs", written in a cursive style.

Barbara Biggs
General Manager