November 6, 2020

Members of the Board of Directors

Keith Lehman, Board President
Ken Maas, Vice President
Dave Bane, Secretary
Christine Thomas, Assistant Secretary

GENERAL MANAGER’S BUDGET MESSAGE

I am pleased to present the Roxborough Water and Sanitation District (District or RWSD) draft budget for 2021. A public hearing on the budget will be held on November 18, 2020, at 8:00 a.m. in the RWSD offices at 6222 N. Roxborough Park Road, Littleton, CO. This budget message provides background information, a comparison of the 2021 budget with the 2020, a summary of key accomplishments and challenges in 2020, and outlines the District’s priorities and challenges for 2021.

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 2021 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 worked 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 2019 actual), the current year adopted budget (2020), year-to-date financials and year-end estimates, and projected budget for the coming year (2021).

The draft 2021 budget has the same fund structure as the Adopted 2020 budget:
ROXBOROUGH WATER AND SANITATION DISTRICT

- Property Tax Summary Information
- 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. The Assessed Value for the Subdistrict did not change significantly for 2020, so no adjustment to the Debt Service Mill Levy will be needed.

2020 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 the District’s goal to continue to build on this legacy of success while also putting in place a more formalized process of documentation of operations and a more robust public outreach program.

The District faced several challenges in 2020. First there was the novel coronavirus pandemic that put the health of our team at risk. We worked together to implement staggered staffing and remote work during March and April, but by May it was critical to return to a normal schedule. We have been successful in maintaining social distancing at work, wearing masks, and using an app created by staff to track employee health. We are fortunate that no one on staff has been affected by the virus.

Our next significant challenge was a negligent operator who ignored alarms and lied to his co-workers and supervisor about an interruption in the chlorine feed for disinfection residual in the finished drinking water.
While public health was never at risk, we were required to issue a public notice to all residents. I want to emphasize that while the State drinking water regulations required the public notice to residents, the water we provided to the community was always safe.

Then came the cyberattack on August 28, 2020. The entire staff went above and beyond, as usual, to respond to the attack on our IT systems. Plant operators and field technicians worked diligently to keep the system operating, and our administrative staff, billing office, and Ted and his staff put in untold hours to rebuild our billing and accounting system. While we have cybersecurity insurance, the full financial impact of the attack is not yet known.

We did have successes in 2020. We were able to conclude nearly 3 years of negotiations on a new agreement for temporary and permanent capacity in the District’s wastewater conveyance system with the Dominion Water and Sanitation District (DWSD). The new agreement provides DWSD and its residents with certainty to plan effectively for permanent wastewater facilities and allows RWSD to gain value from currently unused and excess capacity in parts of our wastewater system.

We also completed the decommissioning of the backwash pond that served the old water treatment plant. We initially encountered issues with elevated radionuclides in the sludge held in the backwash pond, but in the end we were able to agree on a process to dry and re-sample the sludge and dispose of it at a local landfill. However, the process was more time consuming and expensive than anticipated, which did impact the budget for water treatment plant repairs and maintenance for 2020.

We also identified and purchased an interim, low-tech system to dewater sludge from the new water treatment plant. This system will enable us to consistently manage sludge for the next several years, which will allow us to develop a baseline and make informed decisions concerning permanent dewatering facilities.

Finally, we worked with Sterling Ranch to relocate a portion of the District’s 12-inch North Loop water line to accommodate the extension of Waterton Road east of Rampart Road, and collaborated with Aurora and Sterling Ranch to redesign the extension of Waterton Road near the water treatment plant to eliminate impacts to the District’s and Aurora’s transmission lines.

The District continued a more active public outreach program in 2020. Because of the pandemic, we had to cancel the annual open house at the water treatment plant, but we 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. Some of our challenges – the pandemic, the interruption in the chlorine feed, and the cyberattack – all gave us opportunities to work directly with residents and build stronger relationships.
The District completed the update to our Master Plan that provides a road map for 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 the needs of existing residents and in-fill development and identified some capacity constraints in the distribution system. Task 2 was the development of an updated 10-year capital improvement plan, or CIP, that is the basis for the 2021 capital improvement budget and planning for replacement fund needs. Finally, as discussed at the Board’s September 30, 2020, workshop, the District will begin evaluating the necessary steps and potential tools needed to implement an Asset Management Program. The Master Plan focused attention on the magnitude of the District’s assets that will need to be replaced at some point in time, but it’s important to remember that many of these assets have long useful lives remaining, and building reserves to cash fund all asset replacement is not feasible or necessary. A thoughtful, stepwise approach is appropriate, and initial steps include:

1) Build on the already robust geographic information system (GIS) the District has already developed.
2) Complete the Risk & Resiliency Analysis required by the American Water Infrastructure Act (AWIA) that will help us identify/classify critical infrastructure.
3) Implement permanent wastewater flow monitoring in strategic locations to identify areas of the collection system with excessive infiltration and inflow (I&I) and focus our sewer replacement/rehabilitation efforts.
4) Meet with other similar-sized districts to learn what tools they are using to implement asset management efficiently and cost-effectively.

2021 PRIORITIES AND CHALLENGES

With completion of the 2020 Master Plan, in 2021 we will focus on implementing the identified capital projects, including identifying financing alternatives, and thoughtfully implementing an asset management plan.

Capital projects planned in 2021 include:

- Rock Wren sewer and water line replacement project – this project involves replacing a nearly 50-year old sewer line with identified deficiencies and includes replacement of the water line as well due to the scope of the construction.
- Replace of the District’s water transmission line in Rampart Road to meet demands and fire flow needs.
- Design of a new water line to meet fire flow requirements at the Rampart Townhomes.
- Conversion of the backwash pond for the old water treatment plant to an emergency containment basin for the new plant (50% DWSD).
- Addition of a fourth wastewater pump at the RWSD Lift Station (previous capital contribution by DWSD).
- Relocation of the irrigation water pump station (100% Reserves from Ravenna Inclusion).

The new O-Line Agreement with Dominion Water and Sanitation District (DWSD) includes several capital improvement projects that will be funded by DWSD, but must be planned, designed, and constructed by RWSD beginning in 2022.
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 2021 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 2018 the District implemented a pay for performance system, and 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 2019 and 2020 we implemented salary adjustments to address salaries that were below market. For 2021 I am proposing an average salary increase of 3%. Health insurance costs continue to increase every year. Nationally according to the U.S. Bureau of Labor Statistics, the average cost of benefits as a percentage of salaries for state and local governments is 61%; for 2021 the District’s benefits are budgeted at 47% of salaries, which is well below this national average.

2020 – 2021 BUDGET COMPARISON

**Property Taxes Summary:** The District’s assessed value is projected to increase again for 2021, which will result in an increase in General Fund property tax revenues. I propose to keep the General Fund Mill Levy at the current 6.208 and transfer revenues not needed for operations to reserves. In 2020 the Debt Service Mill Levy was reduced from 4.5 to 3.06 so as not to collect more than necessary to make annual bond payments and maintain debt service reserves. For 2021, the Debt Service Mill Levy will be reduced again from 3.06 to 2.90.

**General Fund:** The General Fund budget will decrease 3% from $644,000 to $626,500 for 2021 versus 2019 primarily because we will not have election costs in 2021. The budget includes $175,000 to upgrade and replace all the District’s computer servers, adding cloud backups and increased security. These planned upgrades will include the addition of separate servers for the office, water treatment plant, and wastewater lift station 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 began in 2020 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 and projects completed by RWSD for DWSD.
Sewer Fund: Sewer fund revenues will increase in 2021 due to the new O-Line Agreement with DWSD. Sewer fund expenses are expected to remain unchanged for 2021 versus 2020.

Water Fund: Water fund revenues are projected to remain stable in 2021. Water fund expenses will increase $5 million, or approximately 76%, due to planned capital projects including:

- a new high-zone pump at the WTP (DWSD 100%)
- conversion of the backwash pond to emergency containment (DWSD 50%)
- Rampart Pump Station Replacement (100% Reserves)
- Rampart Road Transmission Line (Funding Alternatives Under Review)

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,

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Barbara Biggs
General Manager