

EAST DILLON WATER DISTRICT

Budget Message for 2018

1. The East Dillon Water District is organized as a special district for the sole purpose of providing water service to the Summit Cove area of Summit County, Colorado.
2. The 2018 budget is prepared on a modified accrual accounting basis. In 1994 the District set up a separate water activity fund for water operations, which is an enterprise under TABOR, Article X, Section 20 of the Colorado Constitution. Income from rates, operation charges, operation expenses, capital reserves and expenditures are included in the water activity fund budget. The District has also created a bond fund budget to pay the voter approved debt to purchase water rights and wells referenced below in note 5. The bond fund includes all property tax revenues levied by the District.
3. The District utilizes a rate structure designed to encourage water conservation. For 2018 there is a base rate of \$46 per quarter (\$76 per quarter for users above the Summerwood Pump Station). Water usage to 23,000 gallons per quarter is billed at \$2.00 per 1,000 gallons. Over 80% of the users served by the District utilize 23,000 gallons or less per quarter. Water usage from 23,001 gallons through 50,000 gallons in a quarter is billed at \$5.60 per 1,000 gallons. Water usage above 50,001 gallons in a quarter is billed at \$11.20 per 1,000 gallons. Water income will fluctuate based on weather patterns during the summer. The District is projecting nominal increases of the base and usage rates in future years to adequately fund the replacement of water infrastructure as necessary.
4. The tap fee is \$10,000. \$500 of the tap fee is for the promotion of water conservation and used for education and demonstrations of water conservation. An additional tap fee of \$5,000 is payable for construction above the pressure zone in Summerwood served by the booster pump station. The District currently projects 136 units (with a tap fee payable) remaining in the District service area. The District is at 87.7% of build out based on projected units to serve. The build out projection is based on the existing service area and zoning regulations in effect this year. The required meter with transmitter unit and inspection fee is included within the tap fee.
5. Property taxes are calculated to be within the allowable range under Article X, Section 20 guidelines as interpreted by the East Dillon Water District. The mill levy is 3.244 on an assessed valuation of \$60,988,800 for loan and interest payments. Voters in the District approved a new debt of \$2,550,000 at a May 7, 2002 election with repayment over a period not to exceed 30 years from a mill levy not to exceed \$197,825 per year. The District received a \$2,550,000 loan from the Colorado Water Conservation Board in November 2002 that was used for the purchase of water rights. The loan is repaid annually over 30 years with interest at a fixed rate of 4.25%.
6. The District owns 106 acre-feet of water / storage rights. The District reported 35.18 acre-feet of water usage for the water year ending October 2017. The District did not utilize its interconnection with the Snake River Water District to supplement its water source in 2017.
7. Cash reserves for the District are deposited in interest bearing accounts with a high level of investment security per Colorado Statutes. The District allocates all interest income to long-term capital reserves. All of the major components of the water delivery infrastructure of the District necessary to serve build out have been completed. Reserves will be utilized in 2018 for upgrades and replacement of the infrastructure and retirement of debt.

8. Tap fee income is dependent on the general economy and housing needs in Summit County. Tap fee revenue projection is based on the start of 1 single-family unit in the District in 2018. A total of 3 single-family unit taps were sold in 2017. All tap fee income is allocated to capital reserves.
9. The District has adopted voluntary outside water usage guidelines effective annually from May 1st through October 1st. The escalating rate structure of the District is designed to encourage water conservation and to allow water revenues to cover operating expenses. The policy of the District allows mandatory water restrictions to be imposed in the event of water shortages.
10. Operating expenses for the District are fully funded by user fees. The District conservatively budgets operations income and expenses. Historically, a combination of higher revenues or lower than budgeted expenses have allowed the District to contribute income above operation expenses to the capital fund.
11. The 2018 capital fund includes significant water treatment plant upgrades required by the Colorado Department of Public Health and Environment (CDPHE). The preliminary Guaranteed Maximum Price to comply with a Ground Water Under the Direct Influence (GWUDI) rules of CDPHE is \$900,000. Other possible upgrades include computer/equipment/mapping, water line infrastructure improvements connected with the Summit County walkway project, and meter purchases for new construction. The District will consider refinancing the current Colorado Water Conservation Board debt, a bond election and/or lease purchase financing to fund these GWUDI improvements.
12. The budget does not anticipate any excess 2018 income over spending limitations dictated by Article X, Section 20. Any reduction of expenditures in 2018 resulting in additional cash on hand at year-end will be transferred into the accumulated reserves for future capital projects.