

EAST DILLON WATER DISTRICT

Budget Message for 2019

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 2019 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 6. 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 2019 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.
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 131 units (with a tap fee payable) remaining in the District service area. The District is at 88.1% of build out based on projected units to serve. 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 3.224, on an assessed valuation of \$61,354,270, not to exceed \$197,825 per year. Voters in the District approved a ballot measure at a November 6, 2018 election which extends the use of property taxes to be used to pay all outstanding debts and capital reserves.
6. 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. 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. In 2018, the District refinanced this debt, decreasing the fixed interest rate from 4.25% to 3.45%. The loan is repaid annually over 30 years and will be paid off in 2032.
7. The District entered into a Lease-Purchase Agreement with Alpine Bank in 2018 to fund the Ground Water Under the Direct Influence (GWUDI) Compliance Project. The Colorado Department of Health and Environment required the project after re-classifying the District's wells as surface water. The loan amount is \$900,000 to be paid back over 20 years at a fixed interest rate of 3.6%.
8. The District owns 106 acre-feet of water / storage rights. The District reported 34.06 acre-feet of water usage for the water year ending October 2018. In Addition, the District utilized the interconnection with the Snake River District during the GWUDI Compliance Project upgrades at

the East Dillon Water Treatment Plant.

9. 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 2019 for capital projects and retirement of debt.
10. 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 5 single-family unit taps were sold in 2018. All tap fee income is allocated to capital reserves.
11. 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.
12. 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 capital reserves.
13. The 2019 capital improvements include fire pump replacement/repairs in Summerwood, unexpected major waterline replacement/repairs, and updating the District's mapping data.
14. The budget does not anticipate any excess 2019 income over spending limitations dictated by Article X, Section 20. Any reduction of expenditures in 2019 resulting in additional cash on hand at year-end will be transferred into the accumulated reserves for future capital projects.

EXHIBIT A

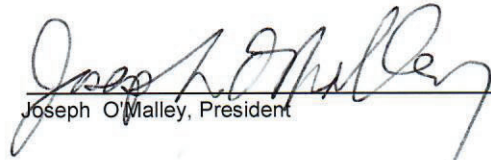
**EAST DILLON WATER DISTRICT
2019 BOND FUND BUDGET**

	2017 <u>Actual</u>	2018 <u>Budget</u>	2018 10 mo <u>YTD</u>	2018 2 mo <u>Estimate</u>	2018 <u>Projected</u>	2019 <u>Budget</u>
BEGINNING FUND BALANCE	172,437	220,073			220,073	60,025
OPERATING REVENUES						
Property Taxes	209,507	197,825	196,336	1,489	197,825	197,825
Specific Ownership Taxes	0	0	0	0	0	0
TOTAL REVENUES	209,507	197,825	196,336	1,489	197,825	197,825
BOND EXPENDITURES						
Bond / CWCB interest	73,893	70,574	18,755	0	18,755	0
Bond / CWCB principal	78,083	81,402	0	0	0	0
Bond / Cost of issuance on Refunding	0	0	28,000	0	28,000	0
Bond / Alpine Bank interest	0	0	0	37,879	37,879	48,851
Bond / Alpine Bank principal	0	0	0	91,348	91,348	80,376
Treasurer fees	9,895	9,891	9,234	657	9,891	9,891
Transfer to water activity fund	0	0	0	0	0	88,732
Prepayment on Bond Fund	0	0	172,000	0	172,000	0
SUBTOTAL	161,871	161,867	227,989	129,884	357,873	227,850
INCREASE (DECREASE) RESERVES	47,636	35,958	(31,653)	(128,395)	(160,048)	(30,025)
INCREASE (DECREASE) EMERGENCY	0	0	0	0	0	0
TOTAL EXPENSES	209,507	197,825	196,336	1,489	197,825	197,825
REFUND REQUIRED	0	0	0	0	0	0
ACCUMULATED RESERVES	201,433	191,729			41,385	11,360
ACCUMULATED EMERGENCY	18,640	18,640			18,640	18,640
ENDING FUND BALANCE	220,073	256,031			60,025	30,000

This document is a true and accurate copy of the 2019 Bond Fund budget for the East Dillon Water District presented to the Board of Directors on December 3, 2018

EAST DILLON WATER DISTRICT

SEAL



 Joseph O'Malley, President

