

EXPENDITURES	ACTUAL	BUDGET	ACTUAL	BUDGET
	THRU DEC.	YR END	THRU AUG	YR END
	2018	2019	2019	2020
CHEMICAL AND LAB	\$39,169	\$38,000	\$18,702	\$28,000
REPAIR/MAINTENANCE	\$252,143	\$403,900	\$52,433	\$69,500
RESIDUALS MANAGEMNET	\$0	\$0	\$0	\$85,000
VEHICLES	\$56,594	\$63,000	\$50,345	\$20,000
UTILITIES	\$410,581	\$415,000	\$161,870	\$300,000
TOOLS AND EQUIPMENT	\$30,890	\$20,000	\$824	\$17,000
INSPECTION REFUNDS	\$400	\$2,000	\$400	\$2,000
WASTE PLANT EXPENSES	\$737,302	\$1,502,020	\$907,344	\$626,252
TV WASTE PLANT EXP.	\$545,710	\$633,891	\$515,810	\$747,164
FL WASTE PLANT EXP.	\$51,867	\$56,106	\$67,273	\$72,894
W & P LOAN 2006	\$318,681	\$318,193	\$317,013	\$315,905
W & P LOAN 2007	\$144,687	\$145,865	\$144,687	\$145,097
W & P LOAN 2011	\$309,788	\$310,366	\$309,188	\$308,998
AUDIT	\$20,970	\$22,000	\$21,800	\$22,600
INSURANCE	\$218,369	\$232,000	\$200,338	\$281,263
LEGAL EXPENSES	\$23,284	\$20,000	\$34,614	\$25,000
OFFICE EXPENSES	\$11,282	\$25,000	\$8,230	\$23,600
OFFICE EQUIPMENT	\$12,258	\$40,000	\$18,080	\$20,000
TELEPHONE	\$19,407	\$22,000	\$13,925	\$20,887
PROFESSIONAL ENGR.	\$32,578	\$50,000	\$29,721	\$25,000
DISTRICT ENGR.	\$64,084	\$30,000	\$6,457	\$10,000
SALARIES	\$658,484	\$686,053	\$449,469	\$763,495
PAYROLL TAXES	\$50,106	\$52,483	\$34,384	\$58,407
457 PLAN	\$41,670	\$48,023	\$26,560	\$53,445
CONTRACT SERVICES	\$52,439	\$78,000	\$44,030	\$65,084
PUBLICATIONS	\$19,784	\$17,000	\$10,807	\$12,000
FEES, PERMITS, DUES	\$13,780	\$18,000	\$13,963	\$18,000
TRAINING	\$12,106	\$18,000	\$12,322	\$23,000
INVESTMENT EXPENSES	\$5,971	\$5,000	\$3,791	\$5,500
COUNTY TREAS.	\$29,273	\$28,000	\$25,223	\$30,000
FOREST LAKES EXP	\$8,167	\$10,000	\$7,628	\$10,000
MISC. EXPENSES	\$8,415	\$10,000	\$6,808	\$12,900
CSU/PUEBLO/STORM	\$1,316,019	\$1,255,269	\$1,180,215	\$1,568,918
ADJ. BALANCE	\$0	\$0	\$0	\$0
TOTAL OP & ADMIN.EXP	\$5,516,262	\$6,575,169	\$4,694,254	\$5,786,909
CAPITAL PROJECTS				
OTHER	\$136,615	\$975,000	\$609,222	\$2,935,000
NEW WATER INF./BOND	\$3,178,949	\$1,750,000	\$793,863	\$0
LAUGHLIN DITCH RIGHTS	\$196,268	\$200,000	\$98,134	\$200,000
TABOR RESERVE	\$339,683	\$274,097	\$179,599	\$241,117
DEBT RESERVE	\$1,413,219	\$2,375,042	\$1,548,868	\$2,230,477
CONTINGENCY	\$100,000	\$100,000	\$100,000	\$100,000
TOTAL EXPENDITURES	\$9,028,095	\$12,249,308	\$8,023,941	\$11,493,503
ENDING FUND BALANCE	\$16,963,908	\$16,944,553	\$16,655,066	\$15,959,893

Summary of the Proposed Budget for 2020

I am presenting the Preliminary Budget for 2020 for Board review and discussion, as well as allowing the public to be made aware that the preliminary budget is available for review. I have published a Legal Notice, as well as inclusion on the District's website and October Newsletter, that the Board would be reviewing the budget, in detail, at your October 17, 2019, Board meeting. The Board will take public comments at this meeting, for consideration, prior to the adoption of the 2020 Budget at the December 12, 2019, Board meeting.

Based upon the recommendations contained in the Cost of Service Evaluation done by GMS, Inc., and discussed by the Board at your September meeting, I have developed this budget with a recommended CPI increase of 2.4% water rate increase, along with an increase to the Customer Service Charge of \$1.00 per month. Wastewater Charges have been developed based upon the recommendations by GMS, increasing the monthly wastewater rates to \$36.75, a 5% increase from \$35 per month.

GMS has also made several recommendations related to the tiered rate structure but for the purpose of this preliminary budget, those changes will be discussed in November and final consideration to tiered rates will occur at the December 12, 2019 Board meeting.

This budget also includes the budget for the Upper Monument Creek Regional Wastewater Treatment Facility. Donala's costs for participation are reflected in the overall District Budget.

ASSUMPTIONS MADE IN THE DEVELOPMENT OF THE 2020 BUDGET

In 2019, the District saw an increase in new home construction, with the redevelopment of the Gleneagle Golf Course. In 2019 I anticipated that 10 homes would be constructed, mainly around the former golf course property. In actuality, 12 homes pulled water and sewer taps. I am budgeting for 10 homes to pay tap fees in 2020. This will generate \$170,000 in tap fees, not including the development and investment fees.

The forecast of water consumption and the impact that weather will have, not only on the consumption by customers, but on our management of our water resources is the biggest challenge in the budget development process. In 2019, we saw two potential "spills" of Pueblo Reservoir, resulting in the potential to the District of "losing" our water to downstream users, including a possible spill in August due to the substantial, and late, snowmelt. As a result, we attempted to use as much of our Willow Creek Ranch water as possible. In future years, we will reconsider when, or if, we take water during potential spill conditions. During the spring and summer of 2019, the District was managing its water source to reduce the concentrations of arsenic flowing into the wastewater treatment facility. This operational challenge in 2019 resulted in less demand on the utilities being used to produce water from our wells but did increase our costs in the Willow Creek Ranch water being our primary source. By the end of the summer, we did notice that the arsenic concentrations had reduced.

I have monitored the long-range forecast for the Front Range, and I am seeing forecasts that are all over the board. One key indicator is that the El Nino is dissipating which will result in moisture moving further north, leaving the southwest portion of the country drier and warmer. Colorado's location is at the cusp of several regional forecasts that indicate a higher snowfall than average for the winter, but generally conclude that the spring and summer will be warm and dry.

I have based this budget on a forecast for a dryer than normal water demand season.

Operating Revenue

Water Sales: At this time, I am proposing a 2.4% across all tiers, rate increase. Note that during the next 60 days, discussions will occur related to the potential to adjust the higher tiers to more accurately reflect water use dropping off at the higher tiers. Water sales in 2019 started off slowly, but by the fall of 2019, the weather pattern had shifted to hot and dry. I am anticipating a similar weather pattern for next season. The District charges a monthly \$25 water service rate which assists us in covering the administrative costs of operations. The last change to this charge was in 2019. I am proposing to increase this service rate by \$1.00 per month in 2020, per the recommendations of GMS.

Effluent Sales: We will continue to lease the Laughlin water right to AGUA for the next several years, in addition to our existing lease of our effluent. We will see an increase of 3.5% as part of the escalator clause in our agreements with AGUA.

Sewage Service: An increase of \$1.75 per month to each monthly bill as recommended by GMS in the 2019 Cost of Service review.

Installation Fees: This line item will remain the same as budgeted in 2019. This is the fee charged when a tap fee is paid and provides for a water meter, a pressure regulator and the inspections. Upon the successful completion of the inspections, \$200 is refunded to the customer.

Tap Fees: This line item will remain the same as budgeted in 2019, based upon 10 new homes being constructed.

Water Development Fee: This line item will remain the same as budgeted in 2019, based upon 10 new homes being constructed.

Sewer Development Fee: This line item will remain the same as budgeted in 2019, based upon 10 new homes being constructed.

Property Tax: This line item will increase by 17% due to the increase in property valuations as determined by the El Paso County Assessor.

Auto Tax: This line item will decrease by 15%. Nationally new cars sales are on the decline.

Avail. Of Service: This line item will decrease by 21%. Each platted, but unbuilt upon lot, has a \$350 AVS fee charged to the owner. This fee pays for the on-going maintenance of the infrastructure available to that property. Each platted parcel, if it has utilities available, is required to pay the AVS charge. We have calculated that there are 44 available lots left to develop.

Operating Interest: This line item will increase by 23% over 2019, due mainly to increased balances.

Investment Interest: This line item will increase by 23%.

New Water Inf. Loan: This line item is no longer needed as the funds obtained through the Water and Power Authority have been fully expended.

Water Investment Fee: This line item will remain the same as 2019, estimating that there will be 10 new homes constructed in the District.

FL Reimbursement: This line item accounts for the time our staff works over at Forest Lakes. We anticipate a change in focus in 2020, shifting from the construction of a surface water treatment plant, to operations as Forest Lakes continues to expand to the West with approximately 181 new homes. While we still operate the water plant, not nearly as much time needs to be spent at this facility and the focus in 2020 will move toward locations and inspections. Based upon our current experience, I anticipate that this line item will increase by 20%.

Misc. Revenue: This item can fluctuate substantially year to year. One example is our winter return flow obligations with the Pueblo Board of Water Works. They account for our winter return flows, using either their water (for which we pay a set amount per acre feet, payable prior to the winter return flows start). If we have enough water in Pueblo Reservoir, we will use that water, which we pay PBWW to account for, at a much reduced per acre foot. At the end of the water season we usually will receive a refund check. In 2019 it was \$35,813. Other misc. revenue would include the T-Mobile lease on the Holbein water tanks. This line item will remain neutral.

Total Operating Revenue will decrease by 15%. Note that the District had budgeted \$1,750,000 in 2019 that is not included in the 2020 budget, resulting in a disproportionate percentage decrease in Operating Revenue.

Operations: The Total Expenditures, not including capital projects, will decrease by 9.6% while the Total Operations portion of the budget will decrease by 8.4%, mainly the result of a lower amount of funding for capital projects.

Reimb. Of Capital Projects: This line item covers the District's costs to repurchase equipment for Forest Lakes, who then reimburses the District for those costs. Forest Lakes payments are reflected in the Revenue portion of the budget. I am not programming for an increase in 2020.

Chemical and Lab.: This line item will decrease by 26.3%. This decrease is based upon our reduced dependence upon our wells, but with the anticipation that our well use will be greater in 2020 than it was in 2019.

Repair/maintenance: This line item will increase by 3.8%. See Attachment A

Residual Management: This is a new line for 2020 and will account for the costs of operations at this new facility. The majority of the costs will be the removal of the biosolids that contain arsenic and radionuclides. These costs have been estimated by GMS and will be closely monitored in 2020.

Truck/backhoe expense: Decrease by 68.2%. This substantial decrease is the result of not having to replace a vehicle in 2020. The Ford Escape, the District's only passenger vehicle, will need to be replaced in 2021. This vehicle is a hybrid and the batteries will need to be replaced which is a very large expense, approximately in the \$5,000 range.

Utilities: Decrease by 27.7%. This decrease is based upon our reduced use of the District's wells, which use a large amount of electricity to pump the water. In conversations with Mountain View Electric, they have indicated there will not be a rate increase projected for 2020,

however, based upon past experience I have anticipated a 5% increase from them at some point in 2020. Black Hills Energy has not announced a price increase at this time.

Tools and Equipment: This line item will reduce by 15%. See Attachment A

Inspection Refunds: for each tap fee paid, the builder/developer will see a portion of the installation fee charged, returned (\$200). As a result of the development anticipated 10 new homes), this line item will remain unchanged.

Waste Plant Expenses: This line item will decrease by 58%. This is the result of no major capital expenses projected in 2020. For more details, see UMCRWWTF proposed budget.

W & P Loan Payback: This line item will decrease by .5%. This line item represents our annual payments to the Colorado Water and Power Development Authority for the three loans the District has with them. These pay for the several large capital replacement projects. The decrease is due to our continuing to paydown the outstanding balance.

Audit: I am anticipating a 2.7% increase.

Insurance: This line item will increase by 21.2%. This line item includes the property and casualty coverage, as well as employee health insurance. This increase is based upon the renewal information provided to the District. In the past, health care costs have risen at a higher rate than other premiums, but we have been told that our health benefits will only increase by 3.5%. This is due in large part to the pool coverage we have through the SDA and their ability to spread the costs over several thousand participants. We will see higher costs on the property and casualty coverage, due primarily to our location in Colorado which is seeing large amounts of payouts over the last several years.

Legal Expenses: This line item will increase by 25%. We anticipate continuing work on the District's long-term water delivery agreement will ramp up in 2020.

Office Expenses: This line item will decrease by 5.6%. This line item includes the costs of the 2020 District election.

Office Equipment: This line item will decrease by 50%.

Telephone: Decrease by 5%.

Professional Engineer: This line item will decrease by 50%. This line item covers engineering professional services for on-going projects related to Willow Creek Ranch. Activities in 2020 will be focused on the long-term delivery agreement with CSU.

District Engineer: I am anticipating a 66% decrease for 2020, as a result of reduced engineering review needs. This line item covers all general engineering work done for the District. Development review is the primary use. The District will also be amending the Rules and Regulations to require developers to pay for our engineering review costs. This is standard in the industry.

Salaries: This line item will increase by 11.3%. It includes the addition of one employee who will be an additional maintenance individual. As the District's infrastructure ages, the work necessary to keep it in good operating condition increases. This line item does include an overall 4% increase in salaries.

Payroll Taxes: As a function of salaries, this line item will increase by 11.3%.

457 Plan: As a function of salaries, this line item will increase by 11.3%.

Contract Services: This line item will decrease by 16.5%, primarily due to a close review of all contract services and a desire to have them all included in this line item. It did reduce costs in several other line items.

Publication: Decrease by 29.4%.

Fees, Permits, Dues: Based upon the permit costs in 2019, along with an increase for inflations, this line item will remain the same.

Training: This line item will increase by 27.8%. Training would include employee development training as well as conference registration and related costs. Top priority will be given to employee development.

Investment Expense: Increase by 10%.

County Treasure Fee: Increase by 7.1%

Forest Lakes Reim. Expense: This line item will remain as a place holder in the budget to allow us to track how much the District is paying for equipment that is reimbursed by Forest Lakes.

No change.

CSU WTR/BOWW: This line item will increase by 25%. CSU has indicated that the costs to deliver the Willow Creek Ranch water will increase by 3.5%. Based upon the amount of water delivered in 2019, and anticipating a similar operational scenario, we have increased this line item to account for the increased costs of taking additional water from CSU. The Pueblo Board of Water Works (PBWW) provides the District's required winter return flows and will increase their charges by 3.5%. In 2020, the Bureau of Reclamation will decrease the District's costs by several dollars an acre foot to cover the annual OM&R costs at the North outlet works. With our carriage agreement with Fountain Mutual Irrigation Company, we will now have an annual cost of approximately \$8,000 per year. This agreement allows the District to measure how much water for accounting purposes. The Southeast Colorado Water Conservancy District charged us, in 2019, \$3,500 for their administration of our "out of District" water. Also included in 2020 will be the one-time payment of \$200,000 to Pueblo County to cover what is described as our contribution to the storm water impacts of development in Gleneagle. This is a condition of the District's 1041 permit. Also, a condition of the permit, is the annual payment to the Fountain Creek Watershed, Flood Control and Greenway District of \$10,000. This is an annual payment which increases by 3% each year and will continue until such time as there is a stormwater impact fee levied by El Paso on all property included in Gleneagle.

Misc.: Increase by 29%.

The total operational budget will decrease by 9.66%, driven in part, by the reduction in capital expenses for the UMCRWTF. This is reduction of \$568,322 from 2019.

Capital Projects:

This category is broken into three categories; a general fund capital project budget, new water infrastructure project budget, and the Laughlin water right annual payment. The breakdowns of each category are included in Attachment A.

General Fund Capital: This line item will increase by 165%. This is the result of the District mitigating arsenic generation from our wells and the treatment taking place at the R. Hull water production plant. Construction of this facility began in 2019 and will continue into 2020. The funding for this project was received from the Academy Water and Sanitation District in 2018 and has been held in the District's savings account. The balance of this line item will continue the replacement of the AC water mains within the District. See Attachment A.

New Water Infrastructure: This item has been placed in the budget with a \$0 balance. We are required to show all line items of the last three years in the current budget, otherwise, we would delete it from the budget.

Laughlin Water Right: This line item will remain constant.

ATTACHMENT A

<i>CAPITAL PROJECTS</i>	COST
Meter Replacement	\$67,500.00
Tank Repairs	\$50,000.00
TOTAL	\$117,500.00
<i>REPAIR & MAINTENANCE</i>	COST
New Campbell Scientific Weather Station (Holbein)	\$6,500.00
TV Sewer Lines	\$3,000.00
Well Meter & Transducer Repair	\$10,000.00
Pipe Repair & Inventory	\$15,000.00
Electrical Repairs	\$15,000.00
SCADA Parts & Repair	\$20,000.00
TOTAL	\$69,500.00
<i>TRUCKS & BACK-HOE</i>	COST
Tires & Maintenance & Repairs	\$20,000.00
TOTAL	\$20,000.00
<i>TOOLS & EQUIPMENT</i>	COST
On-Line Water Test Equipment	\$9,000.00
New pH Probes for WDMP	\$8,000.00
TOTAL	\$17,000.00
<i>CAPITAL INFRASTRUCTURE</i>	COST
New Water Main and Services [Huntington Beach, Candlewood & Westchester Drive (Cul-De-Sac)]	\$1,250,000.00
Residules Management Building @ R. Hull	\$1,567,500.00
TOTAL	\$2,817,500.00
<i>SCHOOLING/EDUCATION</i>	
Conferences	\$23,000.00
TOTAL	\$23,000.00
<i>ANNUAL CONTRACTS</i>	COST
Generator Service	\$4,700.00
Cathodic Inspection/Repair	\$3,000.00
HVAC Maintenance	\$1,750.00
SCADA Updates	\$4,500.00
Tank Inspection	\$3,000.00
TOTAL	\$16,950.00

UPPER MONUMENT WASTE PLANT TREATMENT FACILITY SUPPLEMENT 2020				
	ACTUAL	BUDGET	ACTUAL	PROPOSED
12/12/2019	THRU DEC. 2018	YR END 2019	THRU AUG 2019	BUDGET 2020
FUND BALANCE START YR	\$147,635	\$193,301	\$124,647	\$143,501
OPERATING REVENUE				
PD-DONALA	\$737,302	\$830,489	\$684,354	\$626,252
PD-TRIVIEW	\$545,710	\$633,891	\$515,810	\$747,164
PD-FOREST LAKES	\$51,867	\$56,106	\$67,273	\$72,894
ACCOUNT INTEREST	\$391	\$200	\$25	\$0
MISC. REVENUE	\$0	\$0	\$300	\$0
ADJUST TO BALANCE	\$0	\$0	\$0	\$0
TOTAL REVENUE	\$1,335,270	\$1,520,686	\$1,267,762	\$1,446,310
TOTAL FUNDS AVAILABLE	\$1,482,905	\$1,713,987	\$1,392,409	\$1,589,811
EXPENDITURES				
OPERATING EXPENDITURES				
CHEMICAL AND LAB	\$81,332	\$80,000	\$63,153	\$110,000
REPAIR/MAINTENANCE	\$88,564	\$175,000	\$91,317	\$181,600
TRUCK/MOWER EXP.	\$1,139	\$5,000	\$1,102	\$2,300
UTILITIES	\$262,823	\$321,000	\$188,104	\$343,478
CONTRACT SERVICES	\$21,812	\$21,000	\$19,008	\$21,521
AFCURE	\$38,324	\$50,000	\$25,836	\$50,000
BIOSOLIDS HAULING	\$68,981	\$62,000	\$45,576	\$80,000
TOOLS AND EQUIP.	\$10,320	\$5,000	\$4,123	\$5,000
ADMIN & GENERAL EXPENSE				
INSURANCE	\$96,813	\$90,000	\$82,577	\$109,731
OFFICE EXPENSE	\$22,328	\$10,000	\$854	\$2,000
TELEPHONE	\$4,718	\$7,500	\$3,067	\$5,000
DISTRICT ENGINEER	\$25,502	\$20,000	\$9,065	\$15,000
SALARIES	\$341,005	\$360,174	\$237,477	\$424,580
PAYROLL TAXES	\$25,997	\$27,000	\$18,167	\$31,800
457 PLAN	\$23,075	\$25,212	\$14,676	\$29,700
TRAINING	\$3,226	\$4,500	\$115	\$5,000
FEES, PERMITS	\$11,774	\$12,000	\$9,657	\$25,000
PUBLICATIONS	\$702	\$600	\$257	\$600
O & M CAP PROJ.	\$179,111	\$240,000	\$381,907	\$0
MISCELLANEOUS	\$713	\$1,500	\$304	\$1,000
LEGAL FEES	\$0	\$3,000	\$0	\$3,000
ADJ TO BAL	\$0	\$0	\$0	\$0
CONTINGENCY	\$50,000	\$50,000	\$50,000	\$50,000
TOTAL OP & ADMIN. EXP	\$1,358,258	\$1,570,486	\$1,246,341	\$1,496,310
ENDING FUND & NEXT YR	\$124,647	\$143,501	\$146,068	\$93,501

UPPER MONUMENT CREEK REGIONAL WASTEWATER TREATMENT FACILITY

PRELIMINARY BUDGET 2020

The following is a description of how the specific lines items were established for the 2020 budget year.

Chemical and Lab: increase of 33%

Laboratory Costs will include the following-

Additional Arsenic Testing - \$2,000

Bioaugmentation in Manholes - \$6,000

Misc. probe and sensor replacement/upgrades – \$19,000

Chemical: \$83,000 increase of 4%

Total Lab and Chemical = \$110,000

Repair and Maintenance: increase of 4% \$181,000

See attached list of activities

Truck/Mower Expense: reduced by 54% \$2,300

Utilities: increased by 7%. This line item is broken into three separate utility providers. My research is indicating that propane supplies are in good shape, nationally, and with petroleum prices down, the long-term projection is a fairly steady, and level, for pricing. The early long-range forecasts are indicating a similar winter for 2020 as we had in 2019, with colder than average temperatures and wetter than average. Mountain View Electric has not announced any rate increases, unfortunately, they usually announce them in March. I'm estimating an 8-9% increase in electric costs. The other utility is water, which is provided by Forest Lakes. I am estimating a 4% increase in potable water costs.

Contract Services: increase of 3%

Biosolids Handling: increase of 23% The increase is the result of a price increase in 2019 and more frequent off loading of the solids due to increased flows coming into the facility.

Tools and Equipment: Neutral

Insurance: This line item includes property, auto, workman's comp., health and disability. I am anticipating increases in all areas of insurance; the question is how much. Here is my educated guess at what rate increases will be:

	2019	2020
Property = 9%	\$22,071	vs. \$24,057
Auto = 5%	\$714	vs. \$750
Workman's comp. = 10%	\$3,885	vs. \$4,273
Health = 10%	\$70,404	vs. \$77,444
Disability = 4%	\$3,084	vs. \$3,207
Totals	\$100,158	\$109,731

Increase of 9%

Office Expense: decrease of 80% New cell phones will be purchased in 2019.

Telephone: reduced by 34% Over budgeted in 2019. This would include new data packs for the cell phones.

District Engineer: decreased 25% The major focus in 2020 will be the development of the renewal of the UMCRWWTF's discharge permit.

Salaries: Overall increase of 4% Includes 1 additional employee

Payroll Taxes: Overall increase of 4% Includes 1 additional employee

457 Plan: Overall increase of 4% Includes 1 additional employee

Training: Increase by 10%

Fees, Permits, Dues: Increase by 51% It is estimated that the new discharge permit application will have a submittal fee of \$15,000 for CDPHE review.

Publications: Neutral

Miscellaneous: reduced by 30%

AFCURE: Neutral