

Snake River Water District

P.O. Box 2595
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October 15, 2017

Board of Directors
Snake River Water District
P.O. Box 2595
Dillon, Colorado 80435

Dear Board:

It is my pleasure to submit the proposed Snake River Water District budget for 2018.

This budget message is prepared in accordance with State Statutes and highlights important aspects of the proposed budget for 2018. The format of this budget reflects number of refinements to the budget format in previous years, along changes suggested by Treasurer Graham to more closely align the District's budget with our annual audit. These modifications to the format were all reviewed and accepted by the Board in August of this year. The attached budget also includes a line for Depreciation in response to the Board's guidance in August.

At the request of Treasurer Graham and in an effort to focus the Board's attention, this budget letter has been abbreviated slightly, with some information, which was previously presented in this letter, being moved to the "Summary and Assumptions" section of this report.

Formal adoption of the 2018 Snake River Water District Budget is scheduled for the Board's regular meeting on November 14, 2017 at 4:00 p.m. at the District office at 0050 Oro Grande, Drive in Keystone, Colorado.

OVERALL ASSESSMENT

While the Snake River Water District continues to be on reasonably sound financial footing, the proposed 2018 budget points out that unlike previous years, in which the District budgeted a net operating gain, the 2018 budget is basically breakeven. The proposed 2018 budget includes a request for \$200,000 in Maintenance, Parts and Materials which greatly exceeds the amount spent by the District in recent years (\$75,018 in 2015; \$114,675 in 2016 and \$135,140 estimated for 2017). While this could be an aberration, driven by especially large repairs and maintenance expenses for next year, it could herald the need for future rate increases just for ordinary operations.

Even with close to \$4.1 million anticipated to be spent on capital/system improvements in 2018, the estimated total cash balance for end of year 2018 is \$6,471,207. Of this total cash balance, \$1,500,000 is reserved for emergency reserve, \$4,281,497 is in the Capital/System Improvement Account, leaving \$689,711 for daily operations. At the close of 2018 the District still anticipates needing to fund \$6.55 million in capital expenses.

Recognizing the potential for increases in the District's Maintenance, Parts and Materials and anticipated capital improvements, the District Board should give careful evaluation as to both capital and maintenance costs as they prepare the 2019 budget and consider if a fee increase in 2019 is warranted.

ORDINARY INCOME AND EXPENSE

ORDINARY INCOME received by the District was \$1,210,895 in 2015, and \$1,198,133 in 2016. Combined ordinary income for 2017 is estimated to be \$1,219,637 or just slightly above the budgeted \$1,219,349. User fees for 2018 are estimated to be the essentially the same as projected for 2017 and the total ordinary income for 2018 is estimated to be \$1,221,235 which is just slightly more than the total ordinary income projected for 2017 (\$1,219,637).

ORDINARY EXPENSE in 2018 is estimated to climb to \$863,015 (\$788,015 before contingency), which is 26% (15% before contingency) above the 2017 projected expenses. Expenses across most line items are up somewhat, but the biggest drivers of the increase are Repairs and Maintenance (up \$65,000) and the cost of living increases in the Operations and Administrative Contracts (together up \$12,600). The 2018 contingency is budgeted at \$75,000, reflecting the generally higher expense total estimated for 2018 (and therefore the possibility of greater variability) and the specific possibility of higher than budgeted Repairs and Maintenance expenses related to a water line near Mountain House. The 2018 Contingency is \$21,000 (39%) higher than the contingency budgeted in 2017 and almost \$66,000 higher than the 2017 projected excession of actual expenses over budgeted expenses.

Ordinary expense, including both Operations, Maintenance and Administration was \$513,756 for the first three quarters and is estimated to be \$170,615 for the 4th quarter, bringing total expenses to \$684,371 in 2017. This sum is \$9,176 (1.4%) higher than the \$675,195 aggregate budget for line-item expenses, but is well within the \$54,000 contingency included in last year's budget. The excession of actual spending versus the line-item aggregate was driven by the District's line item for Maintenance Parts and Materials, which exceeded budget by more than \$30,000 and overcame a variety of line items in which actual spending was lower than budget.

DEPRECIATION has been incorporated as a line item in the 2018 budget, as requested by the Board. Depreciation is estimated to be 349,512 in 2017 and 360,052 in 2018.

NET ORDINARY REVENUE is estimated to be \$186,754 in 2017 and (\$1,832) in 2018.

CAPITAL IMPROVEMENTS INCOME AND EXPENSE

CAPITAL IMPROVEMENTS INCOME for 2017 is estimated to be \$611,192 and is 237% of the 2017 budget of \$234,786. While, tap fees received in 2017 are estimated to be \$296,600 (over budget by \$176,600) and development review fees were \$8,325 over budget (\$4,000), the greatest impact to this exceedance was the contribution of \$205,332 in assets in 2017. This is a new line item in the 2018 budget. The Contribution of Assets shows the increase in the asset base of the District that occurs when the District assumes ownership and repair obligations of new water lines. In 2017 the District will likely accept the new water lines at River Run Phase I and Alders Phase II. It should be noted that Contribution of Assets, while considered income for the District's financial accounting, does not provide cash to the District. The only capital income line item that did not meet budget was interest income, which was short of the budgeted amount of \$81,466 by \$20,783. This shortfall was due to an overestimate of interest income that I made in preparing the 2017 budget.

CAPITAL IMPROVEMENT EXPENDITURES for 2017 are estimated to be \$16,244 and fall way short of the \$1,380,000 (including contingency) approved for capital/system improvements.

With respect to the Base II Tank project, while both the County and the USFS, key partners in this land trade necessary for this project to proceed, support this land trade, a National Forest Land package has not been finalized between the County and the USFS. This vital step will hopefully occur before the end of 2017 and allow what is now known as the Dillon Ranger District Community Purposes Land Exchange to move forward.

With respect to the Base III water treatment facility project, although local executives with Vail have been cooperative and have granted approval to proceed with site analysis, the District is still trying to negotiate with Vail Resorts regarding sale of lease of the Base III site to the District. With the recent agreement between TetraTech and the District to negotiate with the Snake River Sewer Fund to accept effluent from the District, no additional work or expenditures will be pursued with the Base III facility.

For more detailed information on both 2017 and 2018 capital/system improvements, please refer to the attached Summary of Assumptions and Considerations.

NET CAPITAL IMPROVEMENTS REVENUE is estimated to be \$594,948 in 2017 and reflects the rather limited success the District had in moving forward with its two main projects in 2017. If the District is successful in pursuing its rather optimistic capital work program in 2018, this Net Capital will be an expense of \$3,527,423.

TOTAL INCOME AND EXPENSE

TOTAL INCOME (in cash terms excluding Contribution of Assets) for the District is anticipated to be \$1,625,497 in 2017 which is \$64,205 more than the \$1,567,292 received

in 2016, and significantly more than the \$1,372,425 received in 2015. The proposed budget estimates total income at \$1,556,008 in 2018. The anticipated tap fees for 2018 are \$56,600 less than what is estimated for 2017 and consequently constitute a fair portion of the reduction in total income proposed for 2018.

TOTAL EXPENSES (in cash terms excluding depreciation) for the District for 2017 are anticipated to be \$700,615, which is far less than the approved budget of \$2,109,195; much of the savings resulting from capital expenditures not meeting budget. In 2018, total expenses projected are projected to jump up to \$4,946,943, mainly due to anticipated capital expenditures.

TOTAL NET INCOME (excluding depreciation for the District) is anticipated to be \$924,882 in 2017 and (\$3,390,935) in 2018.

FEES

At the regular meeting in August, the Board of Directors discussed projected capital expenditures and an accompanying cash flow through 2028 and concluded that the District will be able to pursue all of the planned capital improvements and still maintain a minimum balance of over \$2.3 million - all with existing funding.

Based on anticipated capital expenditures over the next decade, the Board concluded that the District will be able to fund necessary capital improvements in a timely manner without increasing rates. The Board was also clear that this issue should be addressed again in August of 2018 as the 2019 budget is prepared.

Subsequent to the Board's meeting in August, the District has incurred some very expensive repairs in the Mountain House area and is proposing in 2018 to complete investigation and analysis of lines in the area to determine if more work is warranted. It is possible that the conclusions of this analysis have implications beyond the Mountain House area.

Depending on the findings of this investigation and determination of real costs for the Base III Water Treatment Plant, the District may very well conclude that a fee increase is warranted in 2019.

SNAKE RIVER WATER DISTRICT CASH PROJECTIONS

The total of all of the District's funds on January 1, 2017 was \$8,937,260 and is projected to be \$9,862,142 on January 1, 2018. The estimated Total Cash and Securities at the end of 2018 is projected to be \$6,471,207. This includes the \$1,500,000 in Emergency Reserves and \$4,281,497 anticipated for future capital improvements.

Cash flow projections presented to the Board in August indicated that, subsequent to 2018, the District has \$6.55 million in necessary capital improvements. This cash flow projection also showed that, the projected annual net surplus combined with the available capital funds would be sufficient to fund anticipated capital/system improvements. When including all District funds,

this projection showed that the lowest the District's funds would dip would be \$3,038,373 in 2025.

The projected Total Estimated Balance Without Restriction is \$689,711 for year-end 2017 and 2018. These are funds available for daily operation of the District and are just slightly more than what was included in the 2017 budget (\$657,938 for both 2016 and 2017).

BASIS OF ACCOUNTING

Our proposed budget is on an accrual basis and accordingly, includes depreciation of District assets. This approach is also consistent with the District's monthly financial reporting.

BOARD APPROVAL REQUESTED

As District Administrator, I respectfully request the Board direct staff to submit the attached Certification of Tax Levies to the Summit Board of Commissioners and to approve the following resolutions at the Board's regular meeting on November 14, 2017:

1. Resolution #2-2017 to adopt the 2018 Budget
2. Resolution #3-2017 to appropriate sums of money for the 2018 Budget
3. Resolution #4-2017 to set the mill levy for 2018

Please contact me if you have any questions regarding any aspect of this proposed budget.

Respectfully Submitted,

Stephen Hill

Stephen Hill
Administrator- Executive Director
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**SNAKE RIVER WATER DISTRICT
SUMMIT COUNTY, COLORADO**

**RESOLUTION # 2-2017
RESOLUTION TO ADOPT THE 2018 BUDGET**

A RESOLUTION TO SUMMARIZE EXPENDITURES AND REVENUES FOR EACH FUND AND ADOPT A BUDGET FOR THE SNAKE RIVER WATER DISTRICT, SUMMIT COUNTY, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY 2018, AND ENDING ON THE LAST DAY OF DECEMBER, 2018.

WHEREAS, the Board of Directors of the Snake River Water District has appointed Stephen Hill, District Administrator, to prepare and submit a proposed budget to the governing body of the District at the proper time, and;

WHEREAS, upon due and proper notice, published in accordance with Colorado law, said proposed budget was open for inspection by the public at a designated place, a public hearing was held on November 8, 2016, and interested electors were given the opportunity to file or register any objections to the proposed budget and;

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues so that the budget remains in balance, as required by law.

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the *SNAKE RIVER WATER DISTRICT*, Summit County, Colorado:

SECTION 1. That the estimated expenditures for 2018, including contingencies, are as follows:

Operations and Administrative Expenditures	\$863,015
Capital/System Improvements	\$4,083,928
Total Expenditures	<hr/> \$4,946,943

SECTION 2. That the estimated revenues for 2018 are as follows:

Total Ordinary Income	\$1,221,235
Capital Improvements Income	\$556,505
General Property Tax	<hr/> \$0
Total Revenue	\$1,556,008

SECTION 3. That the emergency reserve account is as follows:

Carryover from Previous Years	\$1,500,000
Transfers into or out of the Emergency Reserve Account	<hr/> \$0
Total Projected Emergency Reserves on 12-31-17	\$1,500,000

SECTION 4. That projected capital/system improvement expenditures for 2018, including contingency, are \$4,083,928

SECTION 5. That total funds (checking and savings) for the District are as follows for 2018:

Beginning Balance	\$9,862,142
<u>Estimated Net Revenue</u>	<u>(\$3,390,935)</u>
Estimated Total Cash and Securities	\$6,471,207

SECTION 6. That the total funds without restriction area as follows:

Total Estimated Cash and Securities	\$6,471,207
Less:	
2018 Estimated Year end Emergency Reserve Balance	(\$1,500,000)
<u>2018 Estimated Year End Capital System Improvement Balance</u>	<u>(\$4,281,497)</u>
Estimated 12-31-18 Total Funds Without Restriction	\$689,710

SNAKE RIVER WATER DISTRICT, Summit County, Colorado.

ADOPTED this 14th day of November, 2017.

President – David Helmer

Treasurer – John Graham

Attest:
Secretary – Char Bloom

**SNAKE RIVER WATER DISTRICT
SUMMIT COUNTY, COLORADO**

**RESOLUTION # 3-2017
RESOLUTION TO APPROPRIATE SUMS OF MONEY
FOR THE 2018 BUDGET**

A RESOLUTION TO APPROPRIATE SUMS OF MONEY IN THE AMOUNTS AND FOR THE PURPOSES AS SET FORTH BELOW, FOR *THE SNAKE RIVER WATER DISTRICT*, SUMMIT COUNTY, COLORADO, FOR THE 2018 BUDGET YEAR.

WHEREAS, the Board of Directors of the *Snake River Water District* has adopted the annual budget in accordance with Division of Local Government statutes, the required statutes of the State of Colorado and per the “Bylaws” of the District on November 8th, 2016, and;

WHEREAS, it is not only required by law, but also necessary to appropriate the revenues provided for in the budget to and for the purposes described below, so as not to impair the operations of the District.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SNAKE RIVER WATER DISTRICT, SUMMIT COUNTY, COLORADO:

SECTION 1. That the following sums are hereby appropriated from the revenue of the Snake River Water District Fund for the purposes stated:

Operations and Administrative Expenditures and Contingencies	\$863,015
<u>Capital/System Improvements</u>	<u>\$4,083,928</u>
Total	\$4,946,943

ADOPTED this 14th day of November, 2017.

President – Dave Helmer

Treasurer – John Graham

Secretary – Char Bloom

**SNAKE RIVER WATER DISTRICT
SUMMIT COUNTY, COLORADO**

**RESOLUTION # 4-2017
RESOLUTION TO SET THE MILL LEVY FOR 2018**

A RESOLUTION LEVYING GENERAL PROPERTY TAXES FOR THE YEAR 2015, TO HELP DEFRAID THE COSTS OF GOVERNMENT FOR THE SNAKE RIVER WATER DISTRICT, SUMMIT COUNTY, COLORADO, FOR THE 2017 BUDGET YEAR.

WHEREAS, on November 14, 2017, at a regularly scheduled public meeting of the Board of Directors of the *Snake River Water District (“Board”)*, the Board reviewed and adopted the annual budget for the Snake River Water District (“District”) in accordance with Colorado Division of Local Government regulations and the required applicable statutes under Colorado law, including without limitation the Colorado Local Government Budget Act, CRS Sec. 29-1-101, et. seq. of the State of Colorado, and;

WHEREAS, the amount of money necessary to balance the budget for payment of general obligation bonds and interest is \$ 0.00, and;

WHEREAS, the current year’s Gross Total Taxable assessed valuation for the *Snake River Water District* as certified by the County Assessor is \$ **insert # when received from Assessor**

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the *SNAKE RIVER WATER DISTRICT*, Summit County, Colorado:

SECTION 1. That for the purpose of meeting general obligation bonds and interest of the *Snake River Water District* during the 2018 budget year, there is hereby levied a tax of 0.00 mills upon each dollar of the total valuation for assessment of all taxable property within the *Snake River Water District* for the year of 2018. This remains the same as the previous year.

SECTION 2. That Stephen Hill, Administrator, is hereby authorized and directed to certify to the Board of County Commissioners of Summit County, Colorado, the mill levy for the *Snake River Water District* as herein determined.

ADOPTED this 14th day of November, 2017.

President -

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Treasurer – John Graham

Attest: Secretary – Char Bloom

WATER DISTRICT
SUMMARY OF ASSUMPTIONS AND CONSIDERATIONS
2017 year end estimated expenses
and the 2018 proposed budget

October 15, 2017

This document provides the Snake River Water District Board of Directors and the public with a summary of assumptions and considerations used in estimating 2017 year end expenditures and proposing the District's budget for calendar year 2018.

ORDINARY INCOME

ORDINARY INCOME

- Ordinary income received by the District was \$1,210,895 in 2015, and \$1,198,133 in 2016. Combined ordinary income for 2017 is estimated to be \$1,219,637 or just slightly above the budgeted \$1,219,349.

USER FEES

- User fees for 2018 are projected to be the essentially the same as estimated for 2017 and the total ordinary income for 2018 is projected to be \$1,212,700 which is just \$2.00 less than the total user fees estimated for 2017.

CONNECTION FEES

- Connection fees for the last 3 months are the same as what the District received in the same period in 2016 for a total of \$6,200.
- The 2018 budget proposes the same amount in 2018 (\$6,200) as is estimated to be generated for 2017 for this line item.

TEMPORARY WATER

- Temporary water for the last three months is estimated to be \$100 for a total revenue for this line item of \$735.
- The 2018 budget proposes the same amount in 2018 as is the total estimated temporary water income in 2017 (\$735) plus an estimated \$1,600 from East Dillon Water (as discussed with the Board at the August 2017 meeting).

EXPENDITURES – OPERATIONS AND MAINTENANCE

OPERATIONS CONTRACT

- In accordance with guidance received from the Board on August 8th, the Board approved an increase in the operations contract of 3.1%, bringing the 2018 total to \$229,118.

CHEMICALS

- The cost and use of chlorine constitutes almost all of the District's chemicals. Operations staff anticipates that \$2,663 will be spent on this line item which is \$663 more than the approved budget for 2017.
- The Operations Superintendent has requested the budget for 2018 be increased to \$3,000. This increase in the proposed 2018 budget considers the overage in 2017 as well as an increase in chlorine cost from the supplier.

LABRATORY TESTING

- The anticipated lab expenses for 2017 are \$5,218 or \$3,682 less than the approved budget for 2017 of \$8,900. The Operations Superintendent has requested the budget for 2018 be increased by \$6,000 (total of \$14,900) over the existing 2017 budget to accommodate additional lead and copper testing required by the State to meet new corrosion control requirements.

MAINTENANCE PARTS AND MATERIALS

- Expenses for the first nine months of 2017 for this line item are \$110,610. This includes over \$56,000 for the purchase of three new fire hydrants, the installation of one of those hydrants and the repair of two water main breaks that were related to water hammer from fire hydrant operation in the Mountain House area. The leak repairs revealed areas of corroded pipe that were going to leak in a matter of time, however the process was accelerated by the water hammer event.
- An additional \$24,530 is estimated as to what will be spent on repairs and maintenance in the last three months of 2017, and include replacement of another “hammering” fire hydrant that is broken and out of service, fall leak survey, new water meters, asphalt patch and hydro seeding at the two leak repairs and chlorination equipment. This does not include any money for unanticipated repairs.
- Repairs and maintenance expenses have varied widely since 2012 as evidence by the following expenditures: 2012 - \$112,141; 2013 \$54,965; 2014 - \$58,413; 2015 - \$75,018; 2016 - \$114,675 and as projected for 2017 - \$135,140.
- Following the recent repairs that revealed areas of corroded water mains, the Operations Superintendent researched replacement of approximately 875 feet of District water lines. If the replacement was done in the existing orientation, the cost estimate for the project was \$207,577.
- Given the cost estimate, the Operations Superintendent proposes that in 2018 the District spend time and money to further investigate the condition of the water main as well as look at rerouting the water main in a different location to minimize cost. The Operations Superintendent requests \$45,000 towards “potholing” the water main and install a main line gate valve at one of the pothole locations.
- Additional large items for Maintenance Parts and Materials line item in the 2018 budget include: Asphalt patch at water main leak at Winterset - \$10,000; replace (2) fire hydrants - \$30,000; water meters for new construction - \$20,000; leak detection - \$7,500; Pilot Lode tank cleanup - \$4,500; fire hydrant maintenance - \$6,000; fire hydrant painting - \$15,000 and contracting with an engineer to conduct an analysis to determine “Optimal Corrosion Control Treatment”. Given the above listed expenditures (\$148,000) the suggested amount budget for the Maintenance Parts and Materials of \$200,000 leaves \$52,000 for unanticipated maintenance items.

OPERATIONS AND MAINTENANCE ENGINEERING

- The last time this line item was used was in 2013 for \$5,653 for engineering for the emergency generator at Base II. In an effort to simplify the budget, no additional funding is requested for this line item. If project engineering is required, it can be incorporated into the project cost.

UTILITIES

- Through September of this year, utility expenses were \$40,191. Assuming 4th qtr. utility costs in 2017 are slightly more (103%) than the 4th quarter last year (\$17,677), the total projected utility expenses for 2017 is \$58,393.
- XCEL has requested a 2% increase, which if approved will be effective in July. Given this potential increase, an increase in the base eqrs in the District and the vagaries in estimating our total utility bill in 2018, the 2018 proposed budget proposes a continuation of the \$60,000 budget approved for 2017.

GIS

- Through September, 2017, only \$400 was expended for GIS. Additional expenses of \$3,000 are anticipated for outstanding for: regular GIS database and map maintenance; management and maintenance of the data base unifying Bill Master, and the District’s GIS software (ESRI).

- The proposed budget for 2018 is \$4,000 and is \$2,000 less than the approved budget for 2017.

EXPENDITURES ADMINISTRATION

ADMINISTRATIVE CONTRACT

- In accordance with guidance received from the Board on August 8th, a 3.1% increase in the administrative contract is proposed for 2018, bringing this line item to \$190,327.

AUDIT

- To date, we have not received Laura Puca's proposal for preparing the 2017 Audit. The proposed budget includes a 3% increase over the 2017 approved amount.

INSURANCE

- Includes general liability and property insurance with the Special District Association and Board bonding with CNA Surety.
- Premiums for 2017 did not accelerate as quickly as projected in 2016 by Sandy Carter, with the Colorado Special Districts Property and Liability Pool. While it is premature to try to estimate the exact 2018 SDA premium, preliminary guidance suggests a 1% increase in general liability plus additional modifications based on various factors. A 3% increase is proposed in the District's budget for 2018 over anticipated 2017 expenses.

LEGAL ASSISTANCE, GENERAL

- General legal expenses through September of this year were \$1,443. An additional \$1,000 in legal assistance is projected for the last 3 months of 2017, bringing the total projected 2017 legal line item to \$2,443 or approximately \$4,557 less than budgeted for 2017.
- For 2018 the proposed expense for legal assistance is \$5,000 or \$2,000 less than the approved 2017 budget and \$7,000 less than the approved in the 2016 budget.

LEGAL ASSISTANCE, WATER RIGHTS

- While no large water rights issues are anticipated for 2018, the budget includes \$2,000 to address any small issue that may arise and an additional \$2,000 for legal assistance in insuring that our water accounting for our wells is properly updated pursuant to the requirements in our decrees. (also addressed in water rights engineering line item)

BOARD EXPENSES

- The 2017 Budget included \$7,000 for Board expenses, of which \$2,908 was spent through September of this year. An additional \$2,224 is included in the estimated expenses for the 4th qtr of 2017 for the Board's September dinner.
- Two dinners are included in the proposed budget for 2018 for a total of \$7,000 (same as approved budget for 2017).

MISCELLANEOUS EXPENSES

- This line item includes all membership fees and non-election publishing fees.
- In 2015, \$2,209 was spent on miscellaneous expenses. In 2016 this amount was \$2,810 and in 2017 it is expected to be \$4,170.
- Some of the more expensive items charged to this line item in 2017 included: Drinking water fees to the State Health Department, membership dues for Colorado Rural Water Association, Water Quality and Quantity group, and Summit Daily News publications
- The proposed budget for 2017 is \$5,000, the same as the approved 2017.

OFFICE EXPENSES

- Includes telephone, postage, office supplies and bank service fees.
- In 2015, \$7,956 was spent on office expenses and in 2016 this expense was \$7,772 and in 2017 the estimated expenditure is \$7,745.
- For 2018, \$8,000 is budgeted for this line item. This is the same amount as was approved in the 2017 budget.

ELECTION EXPENSES

- Special District elections are in May of even calendar years, so there will be an election in 2018.
- In 2016 the District only spent \$76 of the approved \$1,000 budget for election support.
- For 2018, \$1,000 is proposed for election expenses. These funds will be needed for additional expenses if there is sufficient interest to hold an election, and not just appoint members as the District did in 2012 and 2016.

COMPUTER SUPPORT

- The approved budget for 2017 for this line item was \$10,000.
- As of September of this year, the District spent \$2,488 plus an additional \$3,150 for Data West annual contract, (not included in 2017 expenditures but should have been). This brings the total thru September expenses on computer support and hardware to \$5,638. With the additional anticipated expenditure for the 4th quarter of \$1,500 this brings total effective 2017 expenditures to \$7,138.
- For 2018, \$8,000 is proposed for this line item. Although no expensive hardware is anticipated for 2018, the requested budget should be sufficient to cover an anticipated monthly service contract discussed with our computer support provider.

WINDY GAP ANNUAL FEE

- The approved budget for 2016 and 2017 for this item was \$1,250.
- The same \$1,250 is requested for 2018.

FOREST SERVICE

- Estimated 2017 total fees are the same as the approved budget and the same as 2016 actual expenditures. The District's leases with the USFS have an escalation clause that increases the District's lease payment every five years based on the estimated increase in the value of the land being leased. This escalation clause is effective in 2018. According to Annette Parker with the Glenwood office, our Forest Service Lease fees for 2018 will be \$7,152 which seems suspiciously low, given the escalation clause. Nevertheless, the estimate provided by Ms. Parker is included in the budget but it may be exceeded if this amount is not correct.

WATER RIGHTS, ENGINEERING

- While the District did not have any expenses in 2017 for the first three quarters of 2017, the District anticipates being invoiced by Water Works West for their work in measuring irrigated areas added within the District Boundary as required by the water augmentation plans. Total expenses for 2017 is expected to be \$5,000.
- The proposed budget for 2018 includes, \$5,000 for similar measurement of irrigated areas plus \$5,000 to work on additional water rights accounting required by the District's augmentation plan and as recommended by the District's water engineer.

CONTINGENCY

- In 2017 the budget was revised to more closely reflect anticipated expenses and consequently reduced much of the buffer that had been included to cover unanticipated expenses. The approved 2017 budget included a \$54,000 general administrative and operational contingency. This contingency was in-lieu-of the previous: \$20,000 operations contingency; \$20,000 administrative contingency; and the \$100,000 "Water Line Breaks and Other Extraordinary Repairs"
- In 2017 aggregate line-item expenses are projected to be \$9,176 (1.4%) above the aggregate budget for these line-items, driven largely by unanticipated Maintenance expenditures. This excession would be well within the \$54,000 contingency included in the 2017 approved budget.
- Historically, the Maintenance, Parts and Repairs line item has been sufficient to cover all the Districts water line breaks and other repairs. The District's recent experience with the

Mountain House area repairs is evidence of how a few unanticipated repairs can cause a significant exceedance of the budget.

- Recognizing the potential to have significant unanticipated maintenance and repairs, including major water line breaks, the proposed budget includes an increase in the Administrative and Operational Contingency line item from \$54,000 to \$75,000.

DEPRECIATION

- Depreciation has been incorporated as a line item in the 2018 budget, as requested by the Board. Depreciation is estimated to be 349,512 in 2017 and 360,052 in 2018.

NET ORDINARY REVENUE

- The 2018 proposed budget includes \$200,000 in Maintenance, Parts and Materials; \$75,000 in Administrative and Operations Contingency; and \$360,052 in estimated depreciation. The net ordinary revenue with these all considered is (\$1,832).
- In considering this proposed net ordinary revenue for 2018 it should be noted that, this net number includes \$200,000 in repairs and another \$75,000 in contingency. The District conservatively budgets repairs and maintenance, and Contingency at a level intended to cover expenses in most years, although not in “worst-case” scenarios. The District’s track record in most years has been to spend less than budgeted on maintenance and repairs and nothing on contingency.

CAPITAL IMPROVEMENTS INCOME AND EXPENSE

CAPITAL IMPROVEMENTS INCOME

TAP FEES

- Projected tap fees for 2017 assume that an additional five EQR’s (\$30,000) are added to the existing \$266,600 booked in the first three quarters. Please note that, the 2016 tap fees of \$252,000 were substantially more than the District received in 2015 (\$108,403), largely due to the District receiving \$90,000 (15 EQRs) in tap fees for Tenderfoot housing. Total estimated tap fees for 2017 (\$296,600) exceed what we received in 2016 by over \$40,000.
- The proposed budget for 2018 anticipates a total of 40 EQRs. Compass Homes has clearly been the biggest purchasers of Tap fees and anticipates 17 EQRs for Phase I of West Hills and another 12 EQRs for other development. Adding another 17 EQRs for the anticipated County portion of WestHills and another 6 EQRs purchased by others, brings the total number of EQRs in the District in 2018 to 52. Recognizing that these projections might be a bit optimistic, this proposed budget anticipates 40 EQRs at \$6,000 each or \$240,000. This is twice the amount budgeted for 2017.

LEASE REVENUE

- Anticipated lease revenue for 2017 is the same as budgeted.
- The 2018 budget is the same as the 2017 with a 1% annual rate increase for the restrooms and a 3.1% increase for both the Neighborhood Company and VRs Food and Beverage.

INTEREST INCOME

- Interest received by the District in 2015 was \$43,482 and in 2016 it increased to \$66,248. The 2017 approved budget anticipated this interest to increase again to \$81,466. Interest received by the District for the first 3 quarters of 2017 was \$50,928. Interest earned in September was \$3,252. Assuming the same interest is received for October thru November, the total interest income for 2017 is projected to be \$60,683.
- Projecting income for 2018 is complicated by not knowing when major capital expenses will be paid and what type of interest rate the District might realize when maturing investments come due. Projected interest income for 2018 is \$57,678 and assumes total interests will be the same as that estimated for 2017, with the following adjustments:

- Deduct 8 months of revenue at (.01184% monthly interest or rate received in September) on the projected capital expenses for the 1st half of 2018 of \$1,361,338 for a total of \$2,004 ($8 * \$1,361,338 * .000184$).
- Deduct 2 months of revenue at (.01184% monthly interest or rate received in September) on the projected capital expenses for the 2nd half of 2018 of \$2,722,591 for a total of \$1,002 ($2 * \$2,722,591 * .000184$).

DEVELOPMENT REVIEW FEES

- Development Review Fees for 2017 reflect the \$9,148 received in the first three quarters plus an estimated \$3,177 to review the WestHills project.
- Anticipated Development Review Fees for 2018 have been increased to \$7,000 and reflect a \$3,000 increase over the 2017 budget of \$4,000. This proposed 2018 budget is slightly less than the \$7,218 received in 2016 and significantly less than the amount anticipated revenue for 2017.

CONTRIBUTION OF ASSETS

- Water lines anticipated to be accepted by the District in 2017 include River Run Townhomes Phase I (\$76,048) and Alder's Phase II (\$129,284).
- Water lines anticipated to be accepted by the District in 2018 including River Run Townhomes Phase II (\$112,532) and Alder's Phase III (\$109,200).

UNREALIZED GAIN/LOSS

- Due to the volatility of the market, no estimates are provided for either 2017 or 2018.

CAPITAL IMPROVEMENTS EXPENSE

NEW BASE II TANK

- The Board approved \$50,000 plus a 20% contingency (\$10,000) for moving forward with the land trade for the Base II tank.
- Through the first nine months of 2017 a total of \$1,880 was spent and an estimated \$1,500 will be spent in the last three months bringing the 2017 expenditure to \$3,380.
- While, both the County and the USFS are key partners in this land trade and supportive of the proposed land trade, a National Forest Land package has not been finalized between the County and the USFS. This vital step will hopefully occur before the end of 2017 and allow what is now known as the Dillon Ranger District Community Purposes Land Exchange to move forward.
- The proposed budget for 2018 anticipates moving slowly ahead and expending \$40,000 on various environmental studies and for the services of Western Land Group.

NEW BASE III WATER TREATMENT FACILITY

- While local executives with Vail have been cooperative and have granted approval to proceed with site analysis for the Water Treatment Facility, the District is still trying to negotiate with Vail Resorts regarding sale of lease of the Base III site to the District.
- In the first three quarters of 2017 the District finished conceptual design for the facility at a cost of \$6,864.
- The District has contracted with TetraTech to prepare necessary documentation and support in the District's negotiation with the Snake River Sewer Fund to accept effluent. The 2017 estimate for October through December expenses anticipates \$6,000 being spent on this task.
- The proposed budget for 2018 anticipates VRs approval and the District still in 2017 and moving forward with the following tasks in 2018:
 - Phase 1 Engineering and Permitting (\$841,338)
 - Land Acquisition (\$500,000)
 - Phase II Utilities, Site Improvements, demolition and building construction (\$2,702,591 – including contingency)

SNAKE RIVER WATER DISTRICT									
2018 OPERATIONS AND ADMINISTRATIVE BUDGET									
Presented to the Snake River Board of Director's on October 15, 2017									
DESCRIPTION	2015	2,016	2017	2,017	2,017	2017	2018 PROPOSED	2018	2018
	ACTUAL	ACTUAL	APPROVED	Jan-Sep	Oct-Dec	Total		PROPOSED	% of 2017 Estimated
				Actual	Estimated	Estimated			
ORDINARY INCOME AND EXPENSE									
INCOME									
User Fees	\$ 1,207,998	1,193,125	1,215,749	858,544	354,158	\$ 1,212,702	\$ 1,212,700	100%	100%
Connection Fees	\$ 1,300	3,600	2,000	4,400	1,800	\$ 6,200	\$ 6,200	100%	310%
Temporary Water	\$ 1,597	1,407	1,600	635	100	\$ 735	\$ 2,335	318%	146%
TOTAL ORDINARY INCOME	\$ 1,210,895	1,198,133	\$ 1,219,349	863,578	356,058	\$ 1,219,637	\$ 1,221,235	100%	100%
EXPENDITURES O & M									
Operations Contract	\$ 213,600	215,738	222,229	166,668	55,557	\$ 222,225	\$ 229,118	103%	103%
Chemicals/Chlorine	\$ 1,586	1,465	2,000	1,805	858	\$ 2,663	\$ 3,000	113%	150%
Laboratory Testing	\$ 8,166	4,651	8,900	3,568	1,650	\$ 5,218	\$ 14,900	286%	167%
Maintenance Parts and Materials	\$ 75,018	114,675	105,000	110,610	24,530	\$ 135,140	\$ 200,000	148%	190%
O&M Engineering	\$ -	1,375	0	0	0	\$ -	\$ -		
Utilities	\$ 64,834	57,670	60,000	40,191	18,207	\$ 58,398	\$ 60,000	103%	100%
GIS	\$ 5,938	1,400	6,000	400	3,000	\$ 3,400	\$ 4,000	118%	67%
TOTAL O&M EXPENDITURES	\$ 369,141	396,974	404,129.00	323,241	103,803	\$ 427,044	511,018.10	120%	126%
EXPENDITURES ADMINISTRATION									
Administrative contract	\$ 180,075	181,876	184,604	138,453	46,151	\$ 184,604	\$ 190,327	103%	103%
Audit	\$ 8,356	11,163	8,675	9,045	0	\$ 9,045	\$ 8,935	99%	103%
Insurance	\$ 20,687	20,840	24,000	15,573	5,139	\$ 20,712	\$ 21,333	103%	89%
Legal Assistance, general	\$ 6,615	7,594	7,000	1,443	1,000	\$ 2,443	\$ 5,000	205%	71%
Legal Assistance, Water Rights	\$ 2,119	1,333	1,500	5,703	500	\$ 6,203	\$ 4,000	64%	267%
Board Expenses	\$ 2,682	3,602	7,000	2,908	2,224	\$ 5,132	\$ 7,000	136%	100%
Misc. Expenses	\$ 2,209	2,810	5,000	3,170	1,000	\$ 4,170	\$ 5,000	120%	100%
Office/tele/postage/bank	\$ 7,956	7,772	8,000	5,745	2,000	\$ 7,745	\$ 8,000	103%	100%
Election Expense	\$ -	76	0	0	0	\$ -	\$ 1,000	#DIV/0!	#DIV/0!
Computer Support	\$ 5,775	9,918	10,000	2,488	1,500	\$ 3,988	\$ 8,000	201%	80%
Windy Gap Annual Fee	\$ 1,250	1,250	1,250	1,250	0	\$ 1,250	\$ 1,250	100%	100%
Forest Service Lease	\$ 7,036	7,038	7,037	4,739	2,298	\$ 7,037	\$ 7,152	102%	102%
Water Rights Engineering	\$ 11,817	3,500	7,000		5,000	\$ 5,000	\$ 10,000	200%	143%
TOTAL ADMINISTRATIVE EXPENDITURES	\$ 256,577	258,771	271,066.00	190,515	66,812	\$ 257,327	276,996.89	108%	102%
ADMINISTRATIVE AND OPERATIONAL CONTINGENCY									
	N.A.	N.A.	54,000	N.A.	N.A.	N.A.	\$ 75,000	N.A.	139%
TOTAL ADMINISTRATIVE AND OPERATIONAL EXPENDITURES - INCLUDING CONTINGENCY	\$ 625,718	655,745	\$ 729,195	513,756	170,615	\$ 684,371	\$ 863,015	126%	118%
DEPRECIATION	\$ 390,265	376,306	N.A.			\$ 349,512	\$ 360,052	103%	N.A.
NET ORDINARY REVENUE (ordinary income minus total administrative and operational expenditures, contingency and depreciation)	\$ 194,912	166,082	490,154.00			\$ 185,754	\$ (1,832)	-1%	0%
CAPITAL IMPROVEMENTS INCOME AND EXPENSE									
INCOME									
Tap Fees	\$ 108,403	252,000	120,000	266,600	30,000	\$ 296,600	\$ 240,000	81%	200%
Lease Revenue	\$ 27,176	29,203	29,320	19,825	9,495	\$ 29,320	\$ 30,096	103%	103%
Interest Income	\$ 43,482	66,248	81,466	50,928	9,755	\$ 60,683	\$ 57,678	95%	71%
Development Review Fees	\$ 4,000	7,218	4,000	9,148	3,177	\$ 12,325	\$ 7,000	57%	175%
Contribution of Assets	\$ 61,360	129,992	0	0	205,332	\$ 205,332	\$ 221,732	108%	N.A.
Unrealized Gain/Loss	\$ (21,531)	8,490	0	6,931		\$ 6,931		N.A.	N.A.
CAPITAL INCOME	\$ 222,890	493,152	\$ 234,786	353,433	257,759	\$ 611,192	\$ 556,505	91%	237%
CAPITAL IMPROVEMENT EXPENDITURES	\$ 48,821	48,099	\$1,380,000	8,744	7,500	\$ 16,244	\$ 4,083,928	25141%	296%
NET CAPITAL REVENUE/EXPENSE (capital income minus capital expense)	\$ 174,069	445,053	-1,145,214.00	344,689	250,259	\$ 594,948	\$ (3,527,423)	-593%	308%
TOTAL INCOME AND EXPENSE (CASH BASIS)									
(includes all revenue and all expenditures. Excludes depreciation)						\$ -			
Total income (excludes Contribution of Assets)	\$ 1,372,425	\$ 1,561,292	\$ 1,454,135	\$ 1,217,011	\$ 408,486	\$ 1,625,497	\$ 1,556,008	96%	107%
Total Expense	\$ 674,540	703,844	\$ 2,109,195	522,500	178,115	\$ 700,615	\$ 4,946,943	706%	235%
Total Net	\$ 697,886	857,448	-655,060.00	694,511	230,371	\$ 924,882	-3,390,935	-367%	518%

2017 CAPITAL IMPROVEMENTS

2017 CAPITAL IMPROVEMENTS DESIGNATION

-Funds dedicated per District Investment Policy*							\$ 5,192,216		
-2015 Total Net Revenue							\$ 697,886		
-2016 Total Net Revenue							\$ 857,448		
-2017 Total Net Estimated Revenue							\$ 924,882		
PROJECTED CAPITAL BALANCE 12-31-17							\$7,672,431		

*the Financial Investment Strategy approved by the Snake River Board of Directors on February 11, 2015 and updated on March 16, 2015 to reflect current balances, stated the Board's intent to designate \$5,192,216 to capital projects (see attachment "D" of the adopted financial investment strategy)

2017 CAPITAL IMPROVEMENTS BUDGET

	TOTAL ANTICIPATED PROJECT COST	TOTAL PRIOR YEAR EXPENDITURES	2017 Board Approved Budget	Costs Jan-Sep 2017	2017 Oct-Dec Estimated	2017 Total Estimated Expenditure	ESTIMATED TOTAL PROJECT EXPENDITURES 12-31-17	2017 Year End Estimated % of BUDGET
System Projects/Large Maintenance/Operations								
New Base II Tank	\$3,459,803	\$ 22,596	\$50,000	\$1,880	\$1,500	\$3,380	\$25,976	6.76%
New Water Treatment Facility at Base III	\$7,349,900	\$ 70,222	\$1,100,000	\$6,864	\$6,000	\$12,864	\$83,086	1.17%
Sub Total	\$10,809,703	\$ 70,222	\$1,150,000	\$8,744	\$7,500	\$16,244	\$109,062	1.41%
20% Contingency	\$2,161,941		\$230,000					
TOTAL WITH CONTINGENCY			\$1,380,000					

**SNAKE RIVER WATER DISTRICT
2016 EMERGENCY RESERVE ACCOUNT**

DESCRIPTION	2015 ACTUAL	2016 ACTUAL	2017 APPROVED	2018 BUDGETED
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EMERGENCY RESERVE				
Carryover from previous years	\$2,740,000	\$1,500,000	\$1,500,000	\$ 1,500,000
Capital Reserves Transfer	-\$1,240,000	\$0	0	\$ -
TOTAL EMERGENCY RESERVES	\$1,500,000	\$1,500,000	\$1,500,000	\$ 1,500,000

EMERGENCY RESERVE EXPENDITURES				
NO EXPENDITURES WERE MADE IN THIS ACCOUNT.				
THIS ACCOUNT SERVES AS AN EMERGENCY RESERVE TO FUND EMERGENCY AND CATASTROPHIC EXPENDITURES				
TOTAL EXPENDITURES	\$0	\$0	\$0	\$0

YEAR END RESERVE BALANCE	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
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Total income (excludes Contribution of Assets)

SNAKE RIVER WATER DISTRICT

2017 / 2018 UNRESTRICTED CASH PROJECTION

0

						2017	2018
BEGINNING BALANCE (checking and savings)						\$8,937,260	\$9,862,142
ESTIMATED TOTAL NET REVENUE						\$924,882	-\$3,390,935
ESTIMATED TOTAL CASH AND SECURITIES BALANCE						\$9,862,142	\$6,471,207
LESS: ESTIMATED YEAR END BALANCE OF EMERGENCY RESERVE ACCOUNT						-\$1,500,000	-\$1,500,000
LESS: ESTIMATED YEAR END BALANCE OF CAPITAL/SYSTEM IMPROVEMENT ACCOUNT						-\$7,672,431	-\$4,281,497
ESTIMATED BALANCE WITHOUT RESTRICTION						\$689,711	\$689,711