

# Snake River Water District

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October 15, 2021

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 2022.

This budget message is prepared in accordance with state statutes and highlights important aspects of the proposed budget for 2022. Formal adoption of the 2022 Snake River Water District Budget is scheduled for the Board's regular meeting on November 9, 2021 at 4:00 p.m. via an online Zoom virtual meeting.

## OVERALL ASSESSMENT

The Snake River Water District continues its history of successful financial management, and the proposed 2022 budget reflects a **net operating income of \$110,733** (after contingency). In previous years, the District budgeted for Depreciation and deducted it from Operating Income. The District's auditors recommended a change in that policy so that Depreciation will not be reflected in Operating Income, nor will Contribution of Assets be included in the Change in Net Position. The Board approved the recommended changes and both Depreciation and Contribution of Assets will now be reflected in a new section of the Profit & Loss Statement and Budget that is titled "Non-Cash Accounts".

Relative to projected 2021 year-end levels, the proposed 2022 budget includes a 12% increase in operating revenue and a 35% increase in operating expense (before contingency). The proposed 2022 budget shows a 14% increase in operating revenue and a 20% increase in operating expenses (before contingency) relative to the 2021 budget.

The 2022 Change in Net Position is budgeted for a decrease of \$1,205,267. The primary reason for this negative Change in Net Position is that the District expects \$4,965,000 in capital expenditures for system improvements and \$525,000 in Maintenance Expenses.

The District has approved an increase in the Water User Fees of 12% per year for the next three years. The increase will pay for expected capital improvements and necessary expenses to repair and maintain the aging distribution system.

Relative to operating costs, the District continues to experience major failures in older water mains. Several large expenses were delayed from 2021 until 2022 because of availability of materials. Some portions of the distribution system are over fifty years old, which are beginning to experience leaks that are expensive to repair. The Operations Superintendent, Ron Mentch has recommended that the Board increase the Maintenance Expense budget for 2022 by \$130,000 – a 25% increase. The inside of the Pilot Lode Tank must be recoated in 2022, and the expense is estimated to be \$300,000. We are projecting Maintenance Expenses to be about \$200,000 in 2021, which is 52% under budget.

Other than Maintenance, the budgeted 20% increase in operating expenses for 2022 over 2021's budget is mostly attributable to major impact from the new Base 3 water plant. Insurance is expected to increase by 82%. Also, the costs of Computer Support & Hardware are budgeted for an increase of 525% over 2021 budget because of mandatory metering software upgrades and redesigning the IT infrastructure to improve stability and lower risk.

The addition of new capitalized assets for 2022 is estimated to be \$3,280,000. A new pumping station and major pipeline replacements are expected to go into service in 2022.

Tap fees for 2021 are projected to be \$761,000, which is 77% above budget. The Kindred/One River Run development did not begin in 2021 as expected, and it is difficult to calculate the anticipated tap fees, but \$325,000 has been budgeted for 2022 and \$325,000 added to the 2021 projection.

## **OPERATING REVENUE AND EXPENSE**

### **Summary**

**2021** actual Operating Income is projected to be a gain of \$319,275 as compared to a budgeted gain of \$8,943 (without Depreciation). This better-than-expected result is primarily the result of Maintenance Expenses being \$220,000 below budget and no contingency (\$143,798) needed.

**2022** Operating Income is budgeted at \$110,733. This decline from 2021 projections would mostly result from \$325,000 (+163%) higher-than-2021 Maintenance Expenses.

## **Detail**

Operating Revenue for 2022 is budgeted to be \$1,527,540 which is 14% above the 2021 budget and 12% above the 2021 projected actual. The reason for this increase is simply because the Board approved a 12% annual increase in water user fees to position the District to pay for the \$38.5 million capital improvements defined by the 10-year Master Plan. The actual Operating Revenue for 2021 is estimated to be \$1,365,120 which is \$29,920 (2%) above the 2021 budget.

Operating Expenses (not including contingency) for 2022 are budgeted to be \$1,416,807 which is 20% above the 2021 budget and 35% above 2021 projected actual. The primary reason for this significant increase is that the Pilot Lode Storage Tank project has delayed from 2021 to 2022, and the project cost of approximately \$300,000 is more than double the original expectation. The 2021 Operating Expenses are estimated to be \$1,045,845 and 12% below the 2021 budget.

Operating Contingency for 2022 is budgeted at \$182,455 which was calculated as 20% of Operating Expenses other than the Operations and Administrative contracts.

Depreciation for 2022 is budgeted at \$644,000. The actual depreciation for 2021 is estimated to be \$602,000. Note that depreciation is no longer budgeted as an operating expense because it does not impact cash, so the auditors requested that change.

## **NON-OPERATING REVENUE AND EXPENSE**

Non-Operating Revenue for 2022 is budgeted to be \$369,000 and is 22% lower than the 2021 budget of \$474,000. Tap Fees are budgeted for 2022 at \$325,000, and Development Review Fees are budgeted at \$1,000. Tap Fees received in 2021 are projected to be \$761,000 which is above budget by \$332,000. Development Review Fees in 2021 are estimated to be \$18,000 which is above budget by \$15,000. Investment Income is budgeted to be \$10,000 for 2022. Investment Income in 2021 is projected to be \$14,000 which is above budget by \$4,000.

In 2022, the budgeted Contribution of Assets is \$33,000. All of Wintergreen's new water mains valued at \$464,300 were transferred to the District in 2021. Contribution of Assets, while considered revenue for the District's financial accounting, does not provide cash to the District because it measures the increase in the asset base that occurs when the District assumes ownership and repair obligations of new water lines. There are no significant new water mains expected for 2022, and the Kindred/One River Run development already has most of the water mains built from 10 years ago.

Non-Operating Expenses for 2022 are budgeted at \$4,965,000, and the actual projection for 2021 is \$160,000. The District's new Master Plan contains a capital improvement list that was approved by the Board. The District expects to complete two of the highest priority projects in 2022 at a cost of \$3,280,000.



## **CHANGE IN NET POSITION**

In 2022, the District's Change in Net Position is budgeted as a decline of \$1,816,267. This decrease is attributable primarily to the \$1,685,000 of capital expenditures that will not be in service in 2022, so those expenses will not be transferred to assets until after 2022. In 2021, the Change in Net Position is expected to be an increase of \$1,124,275 due to both higher-than-expected Operating Income of \$319,275 and Non-Operating Revenues of 825,000. Additionally, the expenses related system improvements were \$125,000 lower-than-expected.

## **FEES**

Based on the newly adopted 10-year Master Plan, capital expenditures over the next decade are expected to be \$38.5 million. To fund these capital improvements, the Board adopted the recommendations of the financial consultants FCS, which include a projected 12% per year increase in water fees for each of the next ten years.

## **SNAKE RIVER WATER DISTRICT CASH PROJECTIONS**

The total of all the District's funds on January 1, 2021 was \$7,027,169 and is projected to be \$8,149,718 on January 1, 2022; also, the total at the end of 2022 is projected to be \$3,442,985. In each of these balances \$1,500,000 is allocated for Emergency Reserves and approximately \$250,000 is maintained for daily operations; thus, the amount available for capital investment is \$1,750,000 less than funds in asset accounts.

## **BASIS OF ACCOUNTING**

Our proposed budget is on an accrual basis. Non-cash items such as depreciation of District assets or contribution of assets have been removed from the normal financial profit & loss calculations this year, but they are reflected "below the line" for reference. This approach is also consistent with the District's financial reporting and has been approved by the auditors.

## **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 9, 2021:

1. Resolution #5-2021 to adopt the 2022 Budget
2. Resolution #6-2021 to appropriate sums of money for the 2022 Budget
3. Resolution #7-2021 to set the mill levy for 2022

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

Respectfully Submitted,

*Scott Price*

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**SNAKE RIVER WATER DISTRICT**  
**2022 Operations and Administrative Budget**

	12/31/2019 (audited)	12/31/2020 (audited)	2021 Budget (approved)	2021 Actual (projection)	2022 Budget (proposed)	2022 Proposed % of 2021 Projection	2022 Proposed % of 2021 Approved
<b>OPERATING REVENUE</b>							
Water User Fees	1,260,591	1,326,635	1,325,000	1,352,000	1,514,240	112%	114%
Connection Fees	14,000	15,792	9,000	12,000	12,000	100%	133%
Temporary Water	9,655	1,516	1,200	1,120	1,300	116%	108%
<b>TOTAL OPERATING REVENUE</b>	<b>1,284,246</b>	<b>1,343,943</b>	<b>1,335,200</b>	<b>1,365,120</b>	<b>1,527,540</b>	<b>112%</b>	<b>114%</b>
<b>OPERATING EXPENSE</b>							
Operations Contract	237,595	245,555	253,167	253,167	262,027	104%	104%
Lab Testing	10,293	12,232	18,000	20,000	21,000	105%	117%
Chemicals/Chlorine	2,484	21,417	27,000	25,000	28,000	112%	104%
Maint Parts/Materials	175,454	273,992	420,000	200,000	525,000	263%	125%
GIS Engineering-Ops	5,699	8,284	7,000	5,000	5,000	100%	71%
Utilities	69,883	75,046	113,413	105,000	115,500	110%	102%
811 Notification System	-	-	5,000	1,000	1,100	110%	22%
<b>TOTAL OPERATIONS AND MAINTENANCE</b>	<b>501,408</b>	<b>636,525</b>	<b>843,579</b>	<b>609,167</b>	<b>957,627</b>	<b>157%</b>	<b>114%</b>
Admin Contract	197,369	213,980	210,304	210,304	242,504	115%	115%
Audit Fees	8,278	9,197	9,200	8,500	9,200	108%	100%
Insurance	24,441	29,656	33,000	49,000	60,000	122%	182%
Legal -- General	5,560	6,820	7,000	9,000	10,000	111%	143%
Legal Fees -- Water Rights	520	5,245	2,500	3,000	6,000	200%	240%
Board Expenses	3,770	15,465	8,000	9,000	8,000	89%	100%
Master Plan Expenses	-	68,330	20,000	30,000	10,000	33%	50%
AWIA Compliance Expenses	-	-	-	40,000	-	0%	
Rate Increase Expenses	-	-	-	28,000	5,000	18%	
Misc Expenses	3,229	2,740	3,500	3,500	3,500	100%	100%
Ofc/Tele/Postage/Bank	8,951	8,693	8,500	8,500	9,000	106%	106%
Election	-	75	-	-	100		
Computer Support & Hardware	9,235	23,349	12,000	18,000	75,000	417%	625%
Windy Gap Water Fee	1,250	1,250	1,250	1,250	1,250	100%	100%
Forest Service Lease	7,481	7,329	7,625	7,625	7,625	100%	100%
Water Rights Engineering	3,840	12,970	16,000	11,000	12,000	109%	75%
<b>TOTAL GENERAL AND ADMINISTRATION</b>	<b>273,924</b>	<b>405,100</b>	<b>338,879</b>	<b>436,679</b>	<b>459,180</b>	<b>105%</b>	<b>135%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>775,332</b>	<b>1,041,625</b>	<b>1,182,459</b>	<b>1,045,845</b>	<b>1,416,807</b>	<b>135%</b>	<b>120%</b>
Operating contingency	-	-	143,798	-	182,455		127%
<b>OPERATING INCOME</b>	<b>508,914</b>	<b>302,318</b>	<b>8,943</b>	<b>319,275</b>	<b>110,733</b>	<b>35%</b>	<b>1238%</b>
<b>NON-OPERATING REVENUE</b>							
Investment Income	298,027	59,237	10,000	14,000	10,000	71%	100%
Lease Revenue	31,181	30,831	32,000	32,000	33,000	103%	103%
Tap Fees	456,370	570,105	429,000	761,000	325,000	43%	76%
Development Review Fees	1,228	-	3,000	18,000	1,000	6%	33%
DOLA Grant	475,000	25,000	-	-	-		
Non-operating revenue other	1,515	1	-	-	-		
<b>TOTAL NON-OPERATING REVENUES</b>	<b>1,263,321</b>	<b>685,174</b>	<b>474,000</b>	<b>825,000</b>	<b>369,000</b>	<b>45%</b>	<b>78%</b>
loss on asset disposal	63,117	-	-	-	-		
less total SYSTEM IMPROVEMENTS	-	-	285,000	160,000	4,965,000	3103%	1742%
plus Capitalized System Improvements	-	-	80,000	140,000	3,280,000		
<b>CHANGE IN NET POSITION BEFORE NON-CASH ITEMS</b>	<b>1,709,118</b>	<b>987,492</b>	<b>277,943</b>	<b>1,124,275</b>	<b>(1,205,267)</b>		
<b>NON-CASH ACCOUNTS</b>							
Depreciation Expense	269,129	364,212	658,922	602,000	644,000	107%	98%
Contribution of Assets	71,515	76,643	33,000	464,300	33,000	7%	100%
<b>CHANGE IN NET POSITION AFTER NON-CASH ITEMS</b>	<b>1,511,504</b>	<b>699,923</b>	<b>(347,979)</b>	<b>986,575</b>	<b>(1,816,267)</b>	<b>-184%</b>	<b>522%</b>
<b>SYSTEM IMPROVEMENTS</b>							
New Base II Tank	-	2,892,268	285,000	160,000	4,965,000		
Corrosion Control Implementation	-	50,000	-	-	185,000		
Base III Pump Station	-	60,000	-	-	-		
Base III Pump Station	-	2,782,268	-	60,000	-		
Engineering & Design	-	-	285,000	100,000	200,000		
Base 3 to Base 2 Pump Station	-	-	-	-	1,800,000		
Base 2 GWUDI	-	-	-	-	1,000,000		
Pipeline Replacements	-	-	-	-	1,480,000		
Hydrant Replacements	-	-	-	-	165,000		
Well Improvements	-	-	-	-	135,000		
	-	-	-	-	-		