

Snake River Water District

P.O. Box 2595
Dillon, Colorado 80435
(970) 468-0328

October 15, 2022

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 2023.

This budget message is prepared in accordance with state statutes and highlights important aspects of the proposed budget for 2023. I am including this letter and attachments for formal adoption of the 2023 Snake River Water District Budget in the Board packet for the regular meeting on November 8, 2022 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 2023 budget reflects a **net operating income of \$376,664** (after contingency).

Relative to the approved 2022 budget, the proposed 2023 budget shows a 12% increase in operating revenue and a 15% decrease in operating expenses (before contingency).

Relative to projected 2022 year-end levels, the proposed 2023 budget includes a 12% increase in operating revenue and a 12% decrease in operating expense (before contingency).

The 2023 Change in Net Position is budgeted for an increase of \$650,654. The primary reasons for this significant improvement to Change in Net Position is a \$181,460 increase in operating revenue and \$219,539 decrease in operating expenses. The District has approved an increase in the Water User Fees of 12% per year for the next two years. The increase is part of the approval for the Master Plan and associated rate study financial analysis, and the increases are expected to pay for expected expenses to repair and maintain the aging distribution system.

Comparing this year's budget to next year's budget, most operating costs will be similar, although an inflation rate of 8.2% has been applied to account for the expected increase in normal expenses. The District successfully accomplished the rehabilitation of the Pilot Lode Tank within budget. This was the single largest operating expense in 2022. There are no similar large maintenance projects planned in 2023, and that is the main reason for a 15% lower Total Operating Expenses budget.

Regarding capital expenses for system improvements, a new pumping station is nearing building construction completion; however, equipment deliveries have been delayed that are scheduled to arrive late in 2022. The project is expected to be under the \$1,800,000 budgeted unless other supply chain issues arise. The major pipeline replacements budgeted for 2022 will not be constructed in 2022. Depending on availability of parts and labor, and based on the approvals needed by governmental entities, most of 2022's budgeted pipeline replacement will occur in 2023. Significant expenses will be incurred for engineering and design related to the new Base 2 Storage Tank. It is anticipated that specifications and construction plans for the tank will be complete in 2023 and construction can begin in 2024.

Tap fees for 2022 are projected to be \$2,100,000, which is 546% above budget. The Kindred/One River Run development finally began construction, which accounts for most of the tap fees in 2022. The budget for 2023 is \$200,000 based on historical average numbers and the lack of large developments planned.

OPERATING REVENUE AND EXPENSE

Summary

2022 actual Operating Income is projected to be \$165,818 as compared to a budgeted gain of \$105,858. This better-than-expected result is primarily the result of Maintenance Expenses being \$75,000 below budget.

2023 Operating Income is budgeted at \$376,664. This increase from 2022 projections would generally result from \$178,100 additional revenue and \$250,000 lower Maintenance Expenses.

Detail

Operating Revenue for 2023 is budgeted to be \$1,709,000 which is 12% above the 2022 budget and 12% above the 2022 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 \$26.5 million capital improvements defined by the 10-year Master Plan. The actual Operating Revenue for 2022 is estimated to be \$1,530,900 which is \$3,360 (0.2%) above the 2022 budget.

Operating Expenses (not including contingency) for 2023 are budgeted to be \$1,202,143 which is 15% below the 2022 budget and 12% below 2022 projected actual. The primary reason for this significant decrease is that the Pilot Lode Storage Tank project was completed this year and there will be no other large maintenance projects next year. The 2022 Operating Expenses are estimated to be \$1,365,082 and 4% below the 2022 budget.

The largest percentage increases in operating expenses for 2023 versus 2022's budget are Water Rights Legal Fees and Master Plan Expenses. The District has been in a dispute with the Division of Natural Resources regarding a change they made that impacts SRWD's rights in the Green Mountain Reservoir Historical User Pool. According to Tom Oberheide (engineer) and Glenn Porzak (attorney), their change would have the negative affect of losing 20 acre feet of water rights with roughly a value of \$800,000. We currently have filed a legal complaint against the State Engineer to overturn this negative impact. We expect to spend \$25,000 in 2023 to achieve a successful outcome in the District's favor. The Master Plan Expenses are anticipated to pay for work related to funding the capital improvements prescribed by the Master Plan. The District successfully closed on a \$3 million loan in 2022 to fund the first phase of the plan. Approximately \$23 million more will be needed, and SRF loan applications are in process. All of the necessary engineering designs, USFS approvals, environmental assessments, technical reviews, construction plans, basis of design reports, etc. that are related to SRF governmental loans are being conducted under the guidance of the Project Manager assigned from CDPHE. This work is the basis for the budgeted \$50,000 in 2023.

Operating Contingency for 2023 is budgeted at \$130,193 which was calculated as 20% of Operating Expenses other than the Operations and Administrative contracts (fixed amounts).

Depreciation for 2023 is expected to be \$700,000. The actual depreciation for 2022 is estimated to be \$609,000. Note that depreciation is no longer budgeted as an operating expense because it does not impact cash.

NON-OPERATING REVENUE AND EXPENSE

Non-Operating Revenue for 2023 is budgeted to be \$273,990 and is 26% lower than the 2022 budget of \$369,000. Tap Fees are budgeted for 2023 at \$200,000. Tap Fees received in 2022 are projected to be \$2,100,000 which is above budget by \$1,775,000. Investment Income is budgeted to be \$40,000 for 2023. Investment Income in 2022 is projected to be \$40,000 which is above budget by \$30,000.

In 2023, the expected Contribution of Assets is \$100,000. Contribution of Assets, while considered a benefit 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 2023, and the Kindred/One River Run development new assets are expected to be complete and accepted in 2022.

Non-Operating Expenses for 2023 are budgeted at \$2,794,700, and the actual projection for 2022 is \$2,290,000. The new Base 3 to Base 2 Pump Station was the top priority of the Master Plan, and it is anticipated to be complete by the end of year. Next year, the new Schoolmarm Transmission Line is expected to be constructed and is the single largest budgeted capital expenditure. The engineering design work for 2024 construction on the new Base 2 Storage Tank and the Loveland Pass Village pipeline replacements will be nearly \$1 million in capital expense.

CHANGE IN NET POSITION

In 2023, the District's Change in Net Position is budgeted as an increase of \$650,654. This increase is attributable primarily to the \$181,460 increase in operating revenue and \$219,539 decrease in operating expenses. In 2022, the Change in Net Position is expected to be an increase of \$2,338,818 due primarily to the tap fees received of \$2,100,000. Notably, the approved increase in the Water User Fees of 12% per year is making an impact on long term improvement in Change in Net Position.

FEES

Based on the newly adopted 10-year Master Plan, capital expenditures over the next decade are expected to be \$26.5 million. To fund these capital improvements, the Board adopted the recommendations of the financial consultants FCS in the rate study 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, 2022 was \$7,734,025 and is projected to be \$10,072,843 on January 1, 2023; also, the total at the end of 2023 is projected to be \$8,638,797.

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.

FUNDING CAPITAL PROJECT DEFINED IN THE MASTER PLAN

The cash projections above include the \$3,000,000 loan acquired from Holman Capital/Fresno First Bank. The loan is for system improvements. As the project expense invoices are received, they are submitted to Fresno First Bank to withdraw from the loan escrow account. Therefore, we anticipate the loan balance to be \$2,290,000 at year end. This loan helps the District maintain cash reserves, which in turn will support long term sustainability of the District's distribution system based on the FCS financial analysis accompanying the Master Plan.

Although predicting the future is impossible, economic indicators in early 2022 pointed to higher inflation, and the Federal Reserve began a clear rate increase strategy to fight inflation that has reached a 40-year high (8.6% for the first six months of 2022). SRWD's Board anticipated the negative impact of 8-9% inflation on the District's capital plan, so the Board decided to lock in a lower rate loan in June 2022 for \$3,000,000 to begin the implementation of the Master Plan. Recent statements from the Federal Reserve Board target a total of 4.6% rate increases needed to combat inflation. Thus, the SRWD Board's decision could save over \$100,000 annually in interest expense for the next 20 years; approximately \$2 million total savings.

Federal Reserve Rate Increases

MEETING DATE	RATE CHANGE	TARGET RANGE
March 15-16, 2022	+25 basis points	0.25-0.5 percent
May 3-4, 2022	+50 basis points	0.75-1 percent
June 14-15, 2022	+75 basis points	1.50-1.75 percent
July 26-27, 2022	+75 basis points	2.25-2.5 percent
Sept. 20-21, 2022	+75 basis points	3-3.25 percent

Source: Fed's board of governors

For the longer term funding, the Board also decided to pursue State Revolving Fund (SRF) loans as recommended by FCS in the Master Plan financial analysis and rate study. The Administrator is working with the Colorado Department of Public Health and Environment, Colorado Department of Local Affairs, and the Colorado Water Resources and Power Development Authority to acquire SRF loans to fund the capital projects defined by the Master Plan. The extra benefit of the SRF approach is taking advantage of the federal Bipartisan Infrastructure Law (BIL), whereby up to 49% of loans are forgiven. Thus, the District seeks to pursue as much funding as quickly as possible that would result in forgiveness (i.e., grants).

Specifically, the District received a Pre-Qualification Review Letter on June 27, 2022 from these state agencies in response to the Pre-Qualification Form filed on April 21, 2022. The letter recommended that the SRWD advance to the next stages of the SRF process. There are many details that are not covered here, but the state accepted the District's plan (not a loan approval) for \$15,319,541 in capital expenses through 2024. The Base 3 to Base 2 Pump Station is an essential project defined in the Master Plan, and the construction is in progress which is being paid for by the Fresno First Bank loan. Thus, some of the projects in the \$15 million submitted in the Pre-Qualification will be removed from SRF loan applications.

The SRF process has many requirements, some of which are modified by the BIL. Certain requirements for environmental assessments, basis of design reports, and governmental agency reviews will extend the timeline for acquiring loans and delay construction on capital projects. Additionally, supply chain issues and lack of contractor availability are also slowing down the implementation of the Master Plan. The key takeaway is that SRF lending will need to involve multiple loan applications with smaller requests reflecting discrete projects over the next several years. The full impact of inflation and interest rates will need to be recalculated next year.

The District has adequate cash resources to continue funding the Master Plan while working to secure the necessary SRF loans over the next few years.

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 in 2023, 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 8, 2022:

1. Resolution #4-2022 to adopt the 2023 Budget
2. Resolution #5-2022 to appropriate sums of money for the 2023 Budget
3. Resolution #6-2022 to set the mill levy for 2023

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

Respectfully Submitted,

Scott Price

Scott Price
Administrator- Executive Director
P.O. Box 2595
Dillon, CO 80435
Phone 970-468-0328
Email executivedirector@snakeriverwater.com

SNAKE RIVER WATER DISTRICT
2023 Operations and Administrative Budget

	12/31/2020 (audited)	12/31/2021 (audited)	2022 Budget (approved)	2022 Actual (projection)	2023 Budget (proposed)	2023 Proposed % of 2022 Projection	2023 Proposed % of 2022 Approved
OPERATING REVENUE							
Water User Fees	1,326,635	1,340,385	1,514,240	1,520,000	1,702,400	112%	112%
Connection Fees	15,792	14,220	12,000	9,300	5,000	54%	42%
Temporary Water	1,516	433	1,300	1,600	1,600	100%	123%
TOTAL OPERATING REVENUE	1,343,943	1,355,038	1,527,540	1,530,900	1,709,000	112%	112%
OPERATING EXPENSE							
Operations Contract	245,555	253,167	264,560	264,560	286,254	108%	108%
Lab Testing	12,232	20,584	21,000	14,000	15,000	107%	71%
Chemicals/Chlorine	21,417	25,647	28,000	31,000	33,000	106%	118%
Maint Parts/Materials	273,992	170,667	525,000	450,000	200,000	44%	38%
O&M Engineering	-	4,606	-	2,500	2,500	100%	-
GIS Engineering-Ops	8,284	1,230	5,000	5,000	5,000	100%	100%
Utilities	75,046	93,848	115,500	110,000	120,000	109%	104%
811 Notification System	-	565	1,100	900	1,000	111%	91%
TOTAL OPERATIONS AND MAINTENANCE	636,525	570,314	960,159	877,960	662,754	75%	69%
Admin Contract	213,980	210,304	244,848	244,848	264,925	108%	108%
Audit Fees	9,197	8,500	9,200	9,300	10,063	108%	109%
Insurance	29,656	48,617	60,000	45,000	55,000	122%	92%
Legal -- General	6,820	11,155	10,000	12,000	12,984	108%	130%
Legal Fees -- Water Rights	5,245	2,762	6,000	18,000	25,000	139%	417%
Board Expenses	15,465	5,156	8,000	7,000	8,000	114%	100%
Master Plan Expenses	68,330	27,861	10,000	45,000	50,000	111%	500%
AWIA Compliance Expenses	-	36,375	-	-	-	-	-
Rate Increase Expenses	-	24,508	5,000	-	-	-	-
Misc Expenses	2,740	2,272	3,500	4,000	4,328	108%	124%
Ofc/Tele/Postage/Bank	8,693	10,286	9,000	10,500	11,361	108%	126%
Election	75	-	100	100	100	100%	100%
Computer Support & Hardware	23,349	12,705	75,000	70,000	75,000	107%	100%
Windy Gap Water Fee	1,250	1,250	1,250	1,250	1,250	100%	100%
Forest Service Lease	7,329	7,518	7,625	7,625	7,854	103%	103%
Water Rights Engineering	12,970	11,031	12,000	12,500	13,525	108%	113%
TOTAL GENERAL AND ADMINISTRATION	405,100	420,299	461,523	487,123	539,389	111%	117%
TOTAL OPERATING EXPENSES	1,041,625	990,613	1,421,682	1,365,082	1,202,143	88%	85%
Operating contingency	-	-	182,455	-	130,193	-	71%
OPERATING INCOME	302,318	364,426	105,858	165,818	376,664	227%	356%

NON-OPERATING REVENUE							
Investment Income	59,237	3,237	10,000	40,000	40,000	100%	400%
Lease Revenue	30,831	31,546	33,000	33,000	33,990	103%	103%
Tap Fees	570,105	449,580	325,000	2,100,000	200,000	10%	62%
Development Review Fees	-	18,270	1,000	-	-		
DOLA Grant	25,000	-	-	-	-		
Non-operating revenue other	1	-	-	-	-		
TOTAL NON-OPERATING REVENUES	685,174	502,633	369,000	2,173,000	273,990	13%	74%
loss on asset disposal							
less total SYSTEM IMPROVEMENTS	-	(126,128)	(4,965,000)	(2,290,000)	(2,794,700)	122%	56%
plus Capitalized System Improvements	-	126,128	3,280,000	2,290,000	2,794,700		85%
CHANGE IN NET POSITION BEFORE NON-CASH ITEMS	987,492	867,059	(1,210,142)	2,338,818	650,654		-54%
NON-CASH ACCOUNTS							
Depreciation Expense	364,212	569,426	644,000	609,000	700,000	115%	109%
Contribution of Assets	76,643	464,300	33,000	106,000	100,000	94%	303%
CHANGE IN NET POSITION AFTER NON-CASH ITEMS	699,923	761,932	(1,821,143)	1,835,818	50,654		
SYSTEM IMPROVEMENTS							
SYSTEM IMPROVEMENTS	2,892,268	126,128	4,965,000	2,290,000	2,794,700		
New Base II Tank	50,000	-	185,000	100,000	678,000		
Corrosion Control Implementation	60,000	-	-	-	-		
Base III Pump Station	2,782,268	54,673	-	-	-		
Engineering & Design	-	71,456	200,000	175,000	-		
Base 3 to Base 2 Pump Station	-	-	1,800,000	1,800,000	-		
Base 2 GWUDI	-	-	1,000,000	-	-		
Pipeline Replacements	-	-	1,480,000	-	1,736,700		
Hydrant Replacements	-	-	165,000	165,000	165,000		
Well Improvements	-	-	135,000	50,000	115,000		
Base 2 Treatment (chlorine, soda ash)	-	-	-	-	100,000		
	-	-	-	-	-		
TOTAL REVENUE AND EXPENSE (CASH BASIS)							
<i>Total Revenue (excludes Contribution of Assets)</i>	2,029,117	1,857,672	1,896,540	3,703,900	1,982,990		
<i>Total Expense (excludes Depreciation)</i>	3,933,893	1,116,741	6,569,137	3,655,082	4,127,036		
<i>Total Net</i>	(1,904,776)	740,931	(4,672,597)	48,818	(2,144,046)		

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

**RESOLUTION #4-2022
RESOLUTION TO ADOPT THE 2023 DISTRICT 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 DISTRICT FISCAL YEAR WHICH IS REFLECTED IN THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY 2023 AND ENDING ON THE FINAL DAY OF DECEMBER 2023.

WHEREAS, the Board of Directors of the Snake River Water District has appointed Scott Price, 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, with an opportunity for review, and a public hearing was subsequently held on November 8, 2022, and interested electors were given the opportunity to state, file or otherwise 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, and;

WHEREAS, notwithstanding any operating loss and negative change in net position, the District has sufficient reserves and liquidity to meet all its obligations on a timely basis.

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 2023, including contingencies, are as follows:

Operations and Administrative Expenditures	\$1,332,336
Capital/System Improvements	\$2,794,700
Total Expenditures	<u>\$4,127,036</u>

SECTION 2. That the estimated revenues for 2023 are as follows:

Total Operating Revenue	\$1,709,000
Non-Operating Revenue	\$273,990
General Property Tax	<u>\$0</u>
Total Revenue	\$1,982,990

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	<u>\$0</u>
Total Projected Emergency Reserves on 12-31-23	\$1,500,000

SECTION 4. That projected capital/system improvement expenditures for 2023 are \$2,794,700.

SECTION 5. That total funds (checking and savings) for the District are as follows for 2023:

Beginning Balance	\$10,072,843
Estimated Net Revenue	-\$2,144,046
<u>Estimated Capital Expenditures Funded by Debt</u>	<u>\$ 710,000</u>
Estimated Total Cash and Securities	\$8,638,797

SECTION 6. That the total funds on 12-31-23 without restriction are as follows:

Total Estimated Cash and Securities	\$8,638,797
Less:	
2023 Estimated Year End Emergency Reserve Balance	\$1,500,000
<u>2023 Estimated Year End Capital System Improvement Balance</u>	<u>\$3,761,583</u>
Estimated 12-31-23 Total Funds Without Restriction	\$4,811,260

SNAKE RIVER WATER DISTRICT, Summit County, Colorado.

ADOPTED this 8th day of November 2022.

President – David Helmer

Treasurer – Randy May

Attest:
Secretary – Char Bloom

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

**RESOLUTION #5-2022
RESOLUTION TO APPROPRIATE SUMS OF MONEY
FOR THE 2023 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 2023 BUDGET YEAR.

WHEREAS, the Board of Directors of the *Snake River Water District* has, after consideration of all evidence and testimony, adopted the annual budget in accordance with Division of Local Government regulations, the relevant statutes of the State of Colorado, and the Rules, Regulations, and Bylaws of the District, at a public hearing dated November 8th, 2022, 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	\$1,332,336
<u>Capital/System Improvements</u>	<u>\$2,794,700</u>
Total Expenditures	\$4,127,036

ADOPTED this 8th day of November 2022.

President – Dave Helmer

Treasurer – Randy May

Secretary – Char Bloom

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

**RESOLUTION #6-2022
RESOLUTION TO SET THE MILL LEVY FOR 2023**

A RESOLUTION LEVYING GENERAL PROPERTY TAXES FOR THE YEAR 2023, TO HELP DEFRAID THE COSTS OF GOVERNMENT FOR THE SNAKE RIVER WATER DISTRICT, SUMMIT COUNTY, COLORADO, FOR THE 2023 BUDGET YEAR.

WHEREAS, on November 8, 2022, 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 \$203,207,760.

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 2023 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 2023. This remains the same as the previous year.

SECTION 2. That Scott Price, District 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 8th day of November 2022.

President – Dave Helmer

Treasurer – Randy May

Attest: Secretary – Char Bloom