

RECORD OF PROCEEDINGS

MINUTES OF THE BUDGET COMMITTEE MEETING OF THE CRESTVIEW WATER AND SANITATION DISTRICT, ADAMS COUNTY, COLORADO

The annual Budget Committee Meeting of the Crestview Water and Sanitation District was held September 28, 2016, at Kachina Southwest Grill 10600 Westminster Boulevard, Westminster, Colorado 80020. The meeting was presided over by Director Doak.

Committee Members Present:

Mike Doak
Jill Martin
Danny Sweeney
Henry Dietz
Lori Sakowiz

Also Present:

Mitchell Terry	District Manager
Ron Forman	Attorney
Charlie Poysti	Poysti and Adams, LLC
Cherry Lofstrom	Poysti and Adams, LLC
John Gallagher	Raftelis Financial Consultants
Matthew Zielinski	Representative for Clear Creek Metropolitan District (Midtown)

Mr. Zielinski introduced himself and gave a brief statement regarding Midtown's residents not being comfortable with Crestview and their high water bills.

Mr. Forman informed Mr. Zielinski that this committee meeting was not the appropriate forum to discuss bills and charges but rather a budget committee meeting to approve the presentation of the draft 2017 Budget for the Board at its October 12, 2016 regular meeting.

Mr. Zielinski and Mr. Terry discussed the possibility of having a Q & A session at a later date with the residents of Midtown to provide a better understanding of Crestview and the water and sewer billing system and processes.

Mr. Terry discussed the purpose of the meeting and outlined what was to be accomplished so that a proposed Budget for 2017 could be presented at the regular District Board meeting, October 12, 2016.

2016 Summary

To estimate the beginning balances for the 2017 Budget, it was first necessary to examine the District income and expenditures for 2016 through August and estimate the income and expenses for September through December 2016 based on known values, previous year's data, expected income, expenditures and Board actions.

In the fall of 2016, Crestview Water & Sanitation District will be requesting bids for the replacement of 560 linear feet of 8-inch sanitary sewer mains and the replacement of three manholes. The anticipated cost to the District for this project will be between \$250,000 and \$300,000.

Crestview has been in the process of replacing all of the 5/8" and 3/4" meters in four different cycles. Cycle 4 was replaced in 2011, Cycle 3 was replaced in 2012 and most of Cycle 2 was replaced in 2013. Cycle 2 was finished in 2014 along with a portion of meters in Cycle 1. The cycle 1 meter replacements continued in 2015 and finished in 2016 including the replacement of 210 meters in the Crystal Lakes Subdivision located in Cycle 4. 2016 closed out the small meter replacement program. In the fall of 2016, Crestview will be installing radio transmitters on all 4,600 water meters within the District along with adding a drive-by radio read automated meter reading (AMR) system. The total cost for the 4,600 radio transmitters and the meter reading gathering equipment to be purchased in 2016 is \$703,000.

Potable water purchases from Denver Water in 2016 are estimated to be 563 million gallons at a cost of approximately \$2,333,000 based on purchases through August and expected purchases from September through December. Denver's long spell of 90 degrees plus weather this past summer caused water purchases to be higher than budgeted for 2016. The budgeted 2016 water sales amount was \$4,212,000.00 with the estimated 2016 water sales at \$4,347,000.00.

The Metro Wastewater Reclamation District service charge for wastewater treatment is based on estimated flow and biological loadings from Crestview during the year with adjustments from previous years. The service charge from Metro for 2016 is \$1,049,201 to be made in quarterly payments. The final quarterly payment of \$262,300.25 will be made in November. Payment to the City of Westminster in 2016 for collection of wastewater from District accounts in the Federal View service area is expected to be estimated around \$34,650. Sewer sales for 2016 are estimated to be \$2,899,500.00 after payment to Westminster. The 2016 budget for sewer sales is \$2,981,100.00.

Liability, Property and Auto insurance costs were stable in 2016 with premium costs totaling \$34,357.00. Worker's Compensation insurance costs were 25 percent higher in 2016 due to an increase in experience factor and annual increases. The costs for Director bonds held steady at \$150 in 2016.

The Water Reserve Fund is currently \$900,000 and the Sewer Reserve Fund is currently \$800,000. An additional \$50,000 will be transferred from the general fund into the sewer reserve fund in 2016. If needed, a transfer could be made from the Water Fund to the Sewer Fund or vice versa if more monies are needed for emergency use.

Crestview is anticipating a considerable amount of growth within the next three years. Brookfield Residential is currently constructing Midtown at Clear Creek located at 68th Avenue and Pecos Street with total buildout expected in 2017. Filing 1, 2, 3 and 4 connection fees have all been paid. Filing 8 infrastructure has been completed and the sale of stub-ins and taps is progressing. Since the start date of Midtown through August 1, 2016, Crestview has received \$2,879,886 in water and sewer connection fees. The actual number of water and sewer connections to be purchased and installed in Midtown in 2016 will vary based on the economy and new home sales in the development. There is a high probability that up to 56 additional water and sewer connections will be purchased for Midtown Filing 6 in the remainder of 2016 totaling \$303,000. Filing 6 is the final segment of Midtown within the Crestview service area.

The Clear Lake Estates subdivision, located at Elmwood Lane and Tejon Street is currently constructing underground utilities. Clear Lake Estates will have 56 single family homes built in the subdivision. As of September 1, 2016, Clear Lake Estates has paid \$114,800 in water and sewer stub-in fees. If new home sales in the Clear Lake Estates is similar to sales in Midtown, estimated tap sales could be around \$225,000 in 2017.

At the south east corner of 70th Ave. and Federal Blvd., the Pomponio Terrace subdivision will have up to 245 new single family homes built at that location. The developer is currently in the utility design stage. The design is moving along well with water and sewer mains possibly being constructed in early to mid-fall of 2016. With that said, trying to estimate the possible amount of tap sales is a guess at best for 2017. It is unknown how many homes could be built in Filing 1 in 2017. An estimated \$75,000 in water and sewer connection sales in 2017 is possible.

Another development located at 61st and Federal Blvd., Clear Creek Village, a transit oriented development, is planning on constructing up to 1,200 new residential units within the next two years. No fees are anticipated to be collected from Clear Creek Village in 2017 as the developer is still in the early stages of design of the needed utilities.

The Adams County Board of County Commissioners is currently reviewing a proposed four story, 156-unit multi-family development. The property is located at 64th avenue and Lowell Blvd., the former site of the Baker Elementary School.

2017 Expenditures

The following are the anticipated expenditures for the 2017 budget year. The figures are based on currently available information, known costs, previous year's expenditures, expected increases and Adams County Assessor information. Expected increases, decreases, adjustments, changes and proposed additions have been developed by District staff and Poysti and Adams, LLC. Revenue for the 2017 Budget was based on the 2016 cash flow study and information that was developed from the preparation of the proposed budget including information from Metro Wastewater Reclamation District and Denver Water. For Budget development, a revenue increase of 3% was used for sewer sales and a 2% increase for water sales based on known and projected usage in 2016. The 2% increase in water revenue for 2017 is based on the past ten-year average for revenues and an estimated 4% increase from Denver Water.

Denver Water

The Denver Water Finance Group has not yet provided to the Denver Water Board of Commissioners their Proposed Rates and Service Charges for 2017. At this time, since the Board of Water Commissioners has not been provided all of the necessary data to make a determination for any increase for 2017, we are assuming a 4% increase from Denver Water.

The Board of Water Commissioners will meet October 12, 2016 to determine what percent increase will be assessed. Once the Commissioners make a determination as to what percent increase is needed, it is expected to be implemented January 1, 2017. The Crestview proposed 2017 Budget is designed with a 4% proposed increase to be set by the Denver Water Board Commissioners.

The expected 2017 volume for purchased water is 555 million gallons. With the monthly service charges from Denver water added, the proposed budget for Denver Water is \$2,407,495.

The cumulative increases in Denver Water's System Development Charges and Metro sewer connection charges will be taken into account for future developments.

Metro Wastewater Reclamation District

The Metro Board of Directors has approved the 2017 Budget and adopted the Annual Charges for all connectors. The 2017 Metro Budget is a 2.2% increase over the 2016 Budget amount to treat the biological loadings of Metro's member and connector sanitary sewer flows. Crestview's charges were calculated to be 22% higher than the charges for 2016. The annual service charge for Crestview in 2017 will be \$1,351,440. The payments to Metro will be made quarterly in 2017.

The Metro Sewer Connection Charge for 2017 will remain unchanged for 2017 and will be set at \$4,220 per Single Family Residential Equivalent (SFRE). The reactivation charge will be \$130 per SFRE per year for sewer reconnections that have been inactive for ten years or more or the current connection charge, whichever is less.

Water Transmission and Distribution System

Crestview is planning on replacing 5,100 linear feet of water mains in 2017. The streets of Raritan Street, Alan Drive, Avrum Drive, Larsh Drive and Ruth Way between 72nd Avenue and 73rd Avenue will have the existing 6 inch cast iron pipe replaced with PVC piping. The water main in Lowell Boulevard from 68th Avenue north will also be replaced in 2017. The estimated cost for these main replacements is \$1,600,000.

Collection System

The 2017 Budget includes the rehabilitation of approximately 3,500 linear feet of existing 8" sanitary sewer mains with Cured in Place Pipe (CIPP) technology. The proposed budget also includes spray lining 6 manholes, point repairs, sewer system repairs and maintenance, technical upgrades and additions to the inspection equipment. The total collection system budget for 2017 is \$420,000.

Capital Additions

Three new vehicles are included in the 2017 Budget to replace three pickup trucks. The three pickup trucks are budgeted at \$105,000. The proposed budget includes funds for shop equipment, safety and security equipment, SCADA upgrades, grounds improvements, office equipment and additional water and sewer maintenance equipment. The total capital additions budget for 2017 is \$320,000 representing a 28% reduction from 2016. The capital additions budgeted amount excludes the Water distribution system improvements and Sewer Main Rehabilitation projects.

Utilities, Automotive, Telephone, Insurance, Wages, Benefits, IT and Trainings

Utility costs in 2017 should remain unchanged for 2017. Based on actual costs of automotive service and repairs in 2016, automotive costs are budgeted to decrease 13% in 2017. Telephone and insurance costs are expected to increase by 18% in 2017. With the retirement of a longtime District employee in 2016 and Crestview not planning on hiring any new staff in 2017, the anticipated Wages and Salaries are expected to decrease by 2% and Benefits to decrease by 3% in 2017. Training and Seminars will remain unchanged in 2017. Crestview will be adding an additional line item to the general fund, IT Support totaling \$20,000 in 2017.

PRESENTATION OF PROPOSED 2016 BUDGET

Mr. Poysti thanked the Committee for the opportunity to work with the District again in preparing the Budget. Mr. Poysti explained that the work done by Poysti and Adams uses a specialized computer program developed by Poysti and Adams, LLC for Crestview. Working with the District staff in providing bookkeeping and accounting information through August and expected income and expenditure data for September through December they can produce a detailed analysis of the current year's Budget with expected fund balances for the upcoming year. With known expenses, expected income and expense data from the District staff as well as any additions, changes and increases for all Budget items, a draft of the upcoming year's Budget is prepared. Once it has been reviewed and modified, a Proposed Budget is produced for the Committee to review.

Mr. Poysti described the supporting data that compares the 2015 Actual Revenue and Expenditures with the 2016 Projected Revenue and Expenditures and proposed 2017 Revenues and Expenditures. The comparison details each item by account number. There are revenue increases to provide income for expected increases in potable water, wastewater treatment and maintenance and repairs. Employee related expenses are budgeted to decrease by 3.3% in 2017.

Mr. Poysti completed his presentation, gave clarification on a number of line items and answered additional questions from the Committee.

The Committee thanked Mr. Poysti for his report.

After further discussion, the Committee agreed to present the proposed Budget to the Board of Directors at the October 12, 2016 meeting for initial acceptance.

Director Doak adjourned the meeting at 8:45 p.m. with there being no further business to discuss.

Respectfully submitted,

Danny Sweeney, Secretary/Treasurer