

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 27, 2017, at Mickey's Top Sirloin, 6950 Broadway, Denver, CO 80221. The meeting was presided over by Vice-President Jill Martin.

Committee Members Present:

Jill Martin
Danny Sweeney
Henry Dietz
Lori Sakowiz

Also Present:

Mitchell Terry	District Manager
Ron Forman	Attorney
Charlie Poysti	Poysti and Adams, LLC

Mr. Terry discussed the purpose of the meeting and outlined what was to be accomplished so that a proposed Budget for 2018 could be presented at the regular District Board meeting, October 11, 2017.

2017 Summary

To estimate the beginning balances for the 2018 Budget, it was first necessary to examine the District income and expenditures for 2017 through August and estimate the income and expenses for September through December 2017 based on known values, previous year's data, expected income, expenditures and Board actions.

In the fall of 2017, Crestview Water & Sanitation District will be requesting bids for lining 9,000 linear feet of 8" sewer mains and 20 to 25 manholes to be lined at \$200 per vertical foot. The anticipated cost to the District for this project will be \$400,000.

Potable water purchases from Denver Water in 2017 are estimated to be 556 million gallons at a cost of approximately \$2,303,000 based on purchases through August and expected purchases from September through December. The budgeted amount of water purchases in 2017 was \$2,408,000. The budgeted 2017 water sales amount was \$4,437,000.00 with the estimated 2017 water sales at \$4,383,000.00.

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 2017 is \$1,351,440 to be made in quarterly payments. The final quarterly payment of \$337,860 will be made in November. Sewer sales for 2017 are estimated to be \$2,920,000.00. The 2017 budget for sewer sales is \$2,981,100.00.

Liability, Property and Auto insurance costs increased in 2017 with premium costs increasing from \$34,357.00 to \$40,667 for an increase of 16 percent. Worker's Compensation insurance costs were 25 percent higher in 2017 due to an increase in experience factor and annual increases. The costs for Director bonds held steady at \$150 in 2017.

Crestview budgeted \$1,600,000 for water main replacements for 2017. During the September 6, 2017 meeting of the Board, the Board decided to create a Crestview operated pipeline replacement team to construct the majority of Crestview's future water

main replacement projects. With that, no water main replacements will be performed in 2017 instead, monies from the budgeted 2017 Water Main Replacement funds will be used to purchase the needed equipment to begin the process of creating the pipeline replacement crew. In 2017, Crestview will be purchasing a Ford F-550 flatbed truck, a skid steer loader, a walk behind asphalt saw and various other pieces of small equipment/tools totaling an estimated \$200,000. The remaining \$1,400,000 will be carried over into 2018 to construct the water main replacement project that was designed for 2017 and to pay the salaries of the six pipeline replacement crew members.

The Water Reserve Fund is currently \$900,000 and the Sewer Reserve Fund is currently \$850,000. An additional transfer of \$25,000 into both the Water Reserve Fund and the Sewer Reserve Fund are expected in 2017. 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 2018. Filing 1, 2, 3, 4 & 8 connection fees have all been paid. Since the start date of Midtown through August 1, 2017, Crestview has received \$2,932,061 in water and sewer connection fees. The actual number of water and sewer connections to be purchased and installed in Midtown in 2017 will vary based on the economy and new home sales in the development. Midtown will be constructing filings 6 and 9 in 2018. Filing 6 will add 56 additional single family homes with combined water and sewer tap fees equaling \$200,300 in 2018. Filing 9, located on the southwest corner of 68th & Pecos will also be constructed in 2018. The final number of water and sewer taps have yet to be determined and is tentatively listed at 53 residential units. Midtown is looking into developing west into the adjacent property west of Zuni Street at 70th avenue.

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, 2017, Clear Lake Estates has paid \$171,800 in water and sewer stub-in fees. At total buildout, Clear Lake Estates will have paid \$274,400 to Crestview for water and sewer tap fees.

At the south east corner of 70th Avenue and Federal Blvd., the Pomponio Terrace subdivision will have up to 245 new single family homes built at that location. The developer is currently installing water and sewer mains within the development. A new 16 inch water main has been constructed from 68th avenue and Zuni Street running north to 70th avenue then west to Federal Blvd. to supply the subdivision with enough water to meet its demand. The water main will connect from 70th avenue and Federal Blvd. south along Federal Blvd. and loop into 67th Place. Pomponio Terrace has paid \$171,600 in stub-in fees as of September 1, 2017. It is anticipated that Pomponio Terrace will purchase a minimum of twenty water and sewer taps in 2018 totaling \$57,000.

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 2018 as the developer is still in the early stages of design of the needed utilities.

The Baker Apartments, located on the northeast corner of Lowell Blvd. and 64th Avenue will begin construction in late 2017. Tap fees for the apartments are reportedly being paid in 2017 totaling \$1,476,000.

2018 Expenditures

The following are the anticipated expenditures for the 2018 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 2018 Budget was based on the 2017 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, no revenue increases for sewer and water sales were used for 2018.

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 2018. 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 2018, we are assuming a 3% increase from Denver Water.

The Board of Water Commissioners will meet October 11, 2017 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 March 1, 2018. The Crestview proposed 2018 Budget is designed with a 3% proposed increase to be set by the Denver Water Board Commissioners.

The expected 2018 volume for purchased water is 557 million gallons. With the monthly service charges from Denver water added, the proposed budget for Denver Water is \$2,366,019.

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 2018 Budget and adopted the Annual Charges for all connectors. The 2018 Metro Budget is a 2.2% increase over the 2017 Budget amount to treat the biological loadings of Metro's member and connector sanitary sewer flows. Crestview's charges were calculated to be 11.6% lower than the charges for 2017. The annual service charge for Crestview in 2018 will be \$1,194,034. The payments to Metro will be made quarterly in 2018.

The Metro Sewer Connection Charge for 2018 will remain unchanged from 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 5,850 linear feet of water mains in 2018. 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 streets of Knox Court and Julian Street between 68th avenue and Mosko Court, Mosko Court and 68th Place between Knox Court and Julian Street and Osage Street between El Paso Blvd. and Elmwood Lane will be replaced in 2018. The water main in Lowell Boulevard from 68th avenue north to the rail road tracks will also be replaced in 2018. The budgeted amount for these main replacements including the wages and benefits for the pipeline crew is \$2,542,924. Crestview will be utilizing unspent funds from 2017 to fund the water main replacements in 2018. This use of unspent monies from the 2017 water main replacement fund will ultimately cause the 2018 budget revenue over expenses to be negative by \$362,647.

Collection System

The 2018 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 2018 is \$445,000.

Capital Additions

One new vehicle will be purchased in 2018, a new back-hoe at an estimated cost of \$135,000. The proposed 2018 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 2018 is \$280,000 representing a 27% reduction from 2017. 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 2018 is estimated to increase by 15%. Based on actual costs of automotive service and repairs in 2017, automotive costs are budgeted to remain the same in 2018. Telephone and insurance costs are expected to increase by 20% in 2018. With the addition of the Pipeline Replacement Crew, the anticipated Wages and Salaries are expected to increase by 28% and Benefits to increase by 35% in 2018. Training and Seminars will increase by 35% in 2018.

PRESENTATION OF PROPOSED 2018 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 2016 Actual Revenue and Expenditures with the 2017 Projected Revenue and Expenditures and proposed 2018 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.

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 11, 2017 meeting for initial acceptance.

Director Martin adjourned the meeting at 8:21 p.m. with there being no further business to discuss.

Respectfully submitted,

Danny Sweeney, Secretary/Treasurer