



**Arapahoe County Water and Wastewater Authority  
(ACWWA)**

**2016 Operating and Capital Improvement Budget**

**December 9, 2015**

**Arapahoe County Water and Wastewater Authority  
(ACWWA)**

**2016 Operating and Capital Improvement Budget**

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## INTRODUCTION





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Arapahoe County Water & Wastewater Authority  
Colorado**

For the Fiscal Year Beginning

**January 1, 2015**

A handwritten signature in black ink, appearing to read "Jeffrey R. Ermer".

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to Arapahoe County Water and Wastewater Authority, Colorado for its annual budget for the fiscal year beginning January 1, 2015.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, and as a communications device.

The award is valid for a period of one year only. We believe that our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

## 1. Summary of Operations

Form of Government	Authority
Government Code Section	Colorado Revised Statutes Section 29-1-204.2
Date of Organization	November 1988
Fiscal Year End	December 31
Number of FTEs authorized	36
Number of Accounts	3,200
Average census	31,000
Lone Tree Creek Water Reuse Facility	
Average Daily Wastewater Flow	2.4 million gallons
Total Capacity	3.6 million gallons
ACWWA's Capacity	2.5 million gallons
Inverness's Capacity	1.1 million gallons
Sewer Collection Pipeline (in miles)	102
Water Pipeline (in miles)	227
Number of Water Storage Tanks	3
Number of Fire Hydrants	1467
Number of Valves	5978
Number of Meters	4450
Number of Water Supply Wells	22
Number of Booster Stations	3
Number of Lift Stations	3
Number of Manholes	3115
Number of Interceptors	7
Number of Water Tap Equivalents	5426
Number of Wastewater Tap Equivalents	5651

## **2. Description and History**

### **2.1 Description**

ACWWA represents a cooperative effort among public entities to provide water and wastewater service. ACWWA is a political subdivision formed pursuant to an intergovernmental agreement (IGA) between Arapahoe County and the Arapahoe Water and Sanitation District (AWSD). ACWWA was formed in 1988 for the purpose of developing water resources, systems and facilities, and wastewater treatment and disposal systems and facilities in whole or in part for the benefit of the customers, county inhabitants, and others.

### **2.2 History**

Effective January 1, 1989, the IGA granted ACWWA all responsibility for and control over AWSD's operating system, related operating assets, tap fees, contributions, revenues and expenses. The agreement provided for a lease of the District's property, plant and equipment. The lease was set to expire on either December 1, 2010, or upon the dissolution of the District or ACWWA, whichever came first. Pursuant to an IGA dated July 7, 1995, the District and ACWWA entered into a plan to dissolve the District. The voters of the District approved the plan and the Arapahoe County District Court signed the Order of Dissolution March 4, 2000 officially dissolving the District. All property, assets and water rights were turned over to ACWWA and any prior agreements between the two entities are subordinate to the July 7, 1995 Agreement.

On February 6, 2002 ACWWA entered into an IGA with the Arapahoe County Water and Wastewater Public Improvement District (the PID). The PID was organized in 2001, pursuant to the provisions of Title 30, Article 20, Part 5, and CRS for the purpose of constructing certain public improvements to serve customers both in and out of its jurisdiction boundaries. The IGA was amended and restated, in part, to have the PID replace the District as a party to the IGA. The PID retains ACWWA as an independent contractor to serve as its management agency. In consideration for ACWWA's commitment to provide management services, the PID agreed to issue general obligation bonds and certify a mill levy on property within the PID at a level sufficient to make the annual debt service payments as identified in the PID's annual capital plan.

ACWWA's core mission is to provide for water and wastewater service within its service area. ACWWA complies with a number of regulatory programs designed to protect the region's water resources, including the Safe Drinking Water Act (SDWA) and Clean Water Act (CWA) which are examples of a number of forces that will continue to challenge the municipal water and wastewater industry in the near future. Other regulatory compliance requirements, increasing customer awareness, aging infrastructure, and a growing scarcity of high-quality water sources will require greater creativity and innovations.

### 3. Organizational Structure

#### 3.1 Authority Powers

ACWWA is a political subdivision and a public corporation of the State of Colorado, separate from the Members of the Establishing Contract. The rights, powers, privileges, authorities, functions, and duties of ACWWA are established by the laws of the State of Colorado, particularly C.R.S. §29-1-204.2, , which provides that ACWWA has the power: to enter into contracts; to sue and be sued; to hire employees and agents; to incur debts, liabilities, or obligations; to issue revenue obligations or refund outstanding indebtedness; to acquire, hold, lease, or dispose of real and personal property utilized only for the purposes of water treatment, distribution, and wastewater disposal; to develop water resources, systems, or facilities or drainage facilities for the benefit of the inhabitants of the Members or others; to condemn non-public utility property for use as rights-of-way; and to fix, maintain, and revise fees, rates, and charges for functions, services, or facilities provided by ACWWA. ACWWA does not have the power to tax.

#### 3.2 Governing Board

There are nine authorized positions for the Board of Directors of ACWWA. These board positions are appointed at the discretion of the Arapahoe County Commissioners. Two of the five County Commissioners currently serve on the ACWWA's Board of Directors.

ACWWA's Board sets policy and direction for ACWWA. These nine individuals serve for a term of three years and appointments are made as vacancies occur. The Board elects its own officers, including a President, Vice-president, Secretary, and Treasurer.

ACWWA's Board of Directors and any reported conflicts of interest are as follows:

- **Doyle Tinkey** owns a home in the ACWWA service area. Mr. Tinkey is retired from CH2M Hill.
- **Geri G. Santos-Rach**'s conflict form has been filed; she has no conflicts to report and notes that she has contributed to the campaigns of Araphoe County Commissioners who have served or are currently serving on the ACWWA Board.
- **Phyllis Thomas** is the 100% owner and President of Phyllis Thomas Consulting.
- **Nancy Sharpe** is a member of the Arapahoe County Board of County Commissioners, the Centennial Airport Authority Board, an alternative on the SEMSWA Board, and the Urban Drainage and Flood Control Authority Board. Her 2010 campaign received donations from Bob Lembke and Pat Mulhern.
- **Nancy Doty** is a member and Finance Officer of the Arapahoe County Board of County Commissioners, is on the SEMSWA Board, and is Secretary of the Centennial Airport Authority Board. She received a 2012 campaign contribution from Bob Lembke and 2015 campaign contributions from Doyle Tinkey and Geri Santos-Rach.

- **Brad Cromer's** conflict form has been filed; he has no conflicts to report and noted that he has previously made campaign contributions to Arapahoe County Commissioners Rod Bockenfeld, Nancy Sharpe, and Nancy Doty.
- **Kenneth Beard's** conflict form has been filed; he has no conflicts to report.

### **3.3 ACWWA's Management Team and Staff**

Steven F. Witter, PE, who has been a water manager in the public sector for over 14 years, was appointed General Manager of ACWWA in March 2015 after serving as Interim General Manager for a six-month period. The General Manager is the chief executive officer and administrative head of ACWWA and is responsible for carrying out policies set by the Governing Board and leading ACWWA toward the successful accomplishment of its mission. Mr. Witter subsequently hired Kate McRae, CPA, as ACWWA's Director of Finance and Business Operations (June 2015) and Kevin McBrien, PE, as ACWWA's Engineering Manager (August 2015). Along with Martin Stegmiller, ACWWA's Operations Manager, this comprises ACWWA's Management Team.

ACWWA currently has 36 budgeted positions, with no new positions added for 2016.

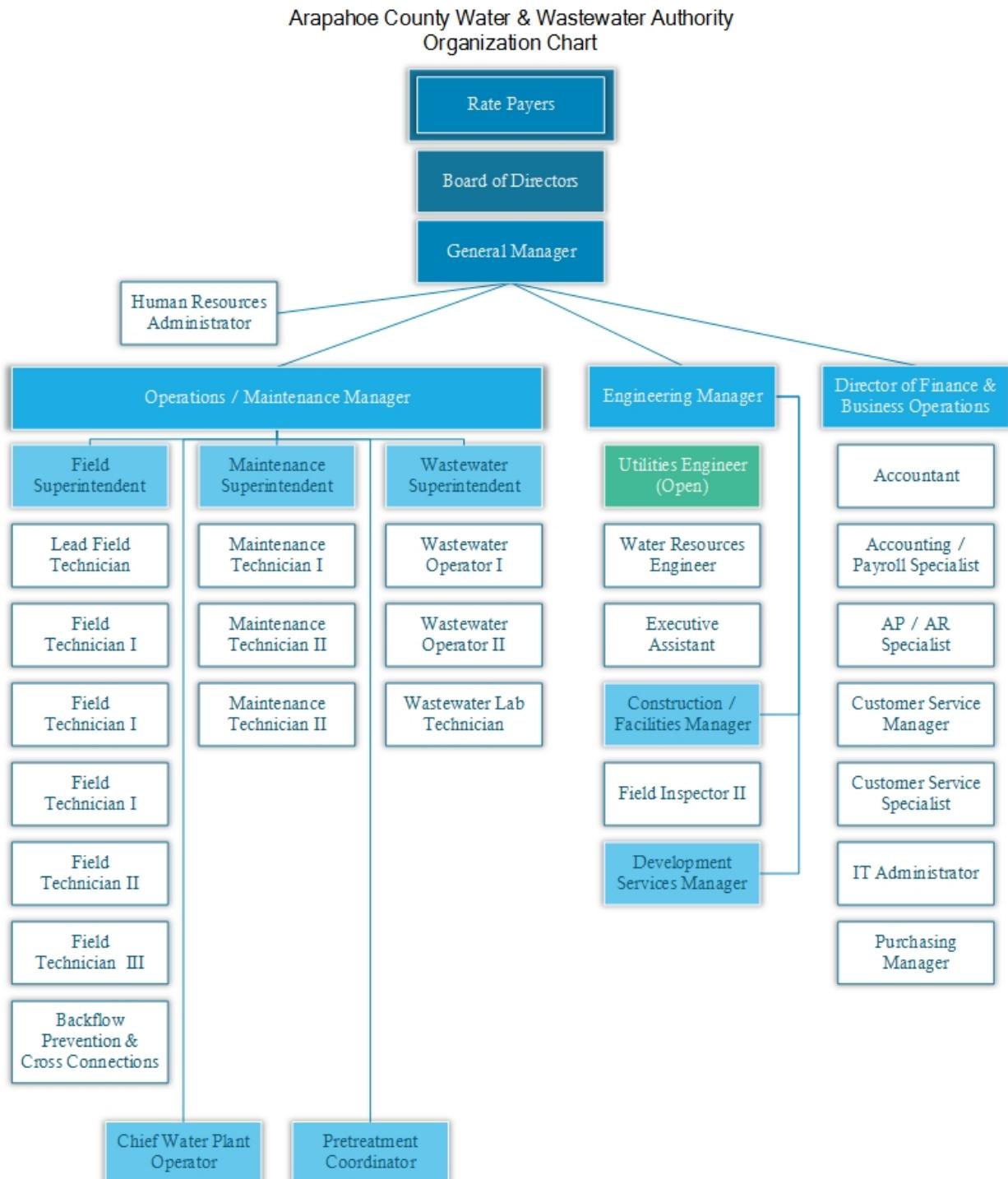
ACWWA's departments consist of the following:

1. Engineering – responsible for ACWWA's capital improvement program, project management, water resources, and reviewing and inspecting new construction in ACWWA's service area.
2. Finance and Administration – manages billing, purchasing, budgeting, financial reporting, and IT services.
3. Operations – consists of the potable and reuse water treatment and distribution systems, as well as wastewater collection and treatment.



Pictured above is the Clean in Place system at the Joint Water Purification Plant (JWPP); to the right is the Pall Microfiltration System currently in use to filter potable water.

### 3.4 Organization Chart



### **3.5 Our Vision**

Our vision is to consistently meet or exceed customer expectations.

### **3.6 Our Mission**

It is our goal to provide unparalleled service and accountability to our customers while furnishing the highest quality water.

### **3.7 Our Values**

- ☆ Integrity – we strive always to do the right thing: for our ratepayers, for our employees, and for our environment.
- ☆ Customer Service – we aim to provide superior service to both our internal and external customers.
- ☆ Sustainability – we will be proactive in planning, constructing, operating, maintaining, and financing our system in a manner consistent with the principles of environmental, social and economic sustainability.
- ☆ Focus – we stay committed to our goals and strive to make the best use of our local water resources and adopt practices which encourage conservation of water, energy, and other natural resources.
- ☆ Communication- we value open, honest and timely communication.
- ☆ Teamwork – we value our employees as our most important resource and we are committed to the success of every member of the team.
- ☆ Excellence – we are passionate about our knowledge and experience that sets us apart and makes us good stewards of the public's resources.



Above is the re-use pump gallery at the Lone Tree Creek Water Reuse Facility

## **4. ACWWA's Service Area**

ACWWA's service area encompasses approximately 5,000 acres in the southeastern Denver metropolitan area and is located approximately 10 miles south of downtown Denver in the southern part of Arapahoe County. The general boundaries are Parker Road on the east, Cherry Creek Recreation Area on the north, Havana Street on the west, and the Arapahoe/Douglas County line on the south.

ACWWA's service area is primarily comprised of office complexes, commercial and light industrial areas. ACWWA also serves a number of single and multi-family residential customers. Through intergovernmental agreements, ACWWA also provides wholesale wastewater treatment services for the Cottonwood Water and Sanitation District located south along Jordan Road in Douglas County, and retail water service to the Town of Foxfield located east of Parker Road and south of Arapahoe Road. Unlike the ACWWA service area, these areas are predominantly residential. ACWWA contracts with the Elkhorn Subdivision in Elbert County to provide water services. ACWWA charges a PID equivalency fee or extra-territorial fees to those customers who do not reside in Arapahoe County.

## **5. Water Supply**

At full build-out of the current service area, ACWWA estimates that demand will be approximately 10,500 acre-feet per year. In 2009, ACWWA began developing the ACWWA Flow Project, and as of 2015 has purchased water rights with an estimated average yield of 4,400 acre-feet. ACWWA has a diversified water rights/supply portfolio that includes non-tributary groundwater from the Denver Basin Aquifer, senior water rights on Cherry Creek and tributary surface water rights in the South Platte Basin. ACWWA also utilizes augmentation plans to allow ACWWA the ability to maximize the use of its water supplies. ACWWA Flow is the primary water supply for ACWWA.

ACWWA further optimizes its water supply by operating a non-potable irrigation system and a reuse irrigation system. The non-potable irrigation system will include the use of Chambers Reservoir, a 1400 acre-foot reservoir located at the southwest corner of Chambers Road and E-470. The reservoir construction is complete and is currently being filled with non-potable water. ACWWA is working through some start-up issues with the reservoir and does not yet have a projected in-service date.

### **5.1 The ACWWA Flow Project**

In the early 2000's, ACWWA's leadership recognized that additional water supplies would be needed for ACWWA's future. The new water supplies would address the increased water demand from growth, but also serve current customers who were being served in part by non-tributary groundwater wells. Due to the heavy use of non-tributary groundwater wells in the Front Range, the production of these wells was anticipated to drop over time and a replacement water source would be necessary.

In 2009, after evaluating multiple options, the ACWWA Board approved a project to develop renewable water supplies. The project, named the "ACWWA Flow Project", includes the purchase and adjudication of 4,400 acre-feet of average yield consumptive use surface water

rights from the South Platte Basin. It also includes the necessary infrastructure to store, treat and deliver that water to the ACWWA service area.

ACWWA used a portion of the 2009 Series Bonds' net proceeds to acquire the ACWWA Flow water rights. Infrastructure for treatment, storage, and delivery of the new water rights must be constructed. Several proposed facilities will require environmental and other permits which have not yet been issued; ACWWA cannot guarantee that such permits will be issued.

The ACWWA Flow water rights are being adjudicated in the District Court in and for Water Division No.1 in Greeley, Colorado (Water Court). These water rights are expected to provide water supply for over 17,000 tap equivalents, and will be enhanced by ACWWA's ability to reuse its water supply. ACWWA expects this water to provide a secure water supply to meet its anticipated future demands. However, unlike non-tributary groundwater, surface water rights are impacted by the variable hydrologic conditions. It is anticipated that ACWWA's portfolio of non-tributary groundwater and Cherry Creek water rights will provide water in drought years to supplement surface water rights from the ACWWA Flow Project.

In order to be allowed permanent use for a municipal water supply, the water rights must be successfully adjudicated in Water Court. ACWWA began the adjudication of the ACWWA Flow Project water rights in 2009, and that process continues. In 2014, an augmentation plan decree, which is essentially the plan of operation for the project, was issued by the water court for the ACWWA Flow Project. In 2015, additional water rights were decreed for permanent use. The ACWWA Flow Project is currently delivering 1,500 acre-feet of water, or about 45% of ACWWA's current potable water demand, from the ACWWA Flow project, and through this delivery, is providing a more diversified water supply as well as improved water quality. ACWWA began delivering ACWWA Flow water to its service area in 2013.

In 2016 ACWWA will continue to develop this project and has budgeted to acquire capacity in a storage reservoir in the South Platte Basin to increase the effective yield of the water from the Project. ACWWA will also be investing in a deep injection well being constructed at the East Cherry Creek Valley Water and Sanitation Water Treatment Plant in which ACWWA owns capacity to treat its ACWWA Flow Project water supplies. Also in 2016, ACWWA will develop monitoring facilities and meet other obligations from its decreed Augmentation Plan. ACWWA currently projects that all necessary infrastructure to deliver 4400 acre-feet to the ECCV treatment plan will be in place by 2019.

## **6. Accomplishments**

2015 was a busy year for ACWWA. Key accomplishments include:

- **The hiring of a new general manager in March 2015.**
- **Customer Service Improvements:**

Under ACWWA's new management and direction from the ACWWA Board, ACWWA has a renewed focus on customer service. Steps taken in 2015 include:

- designating a staff member as ACWWA's Customer Service Manager, who is dedicated to resolving customer service issues.

- increased payment options on our website.
  - modified field staffing hours for faster response time during critical periods.
  - developed and distributed a customer survey.
  - added information to the website about flushing, water quality, and other issues.
  - added a “contact us” e-mail to website to facilitate communication.
- **Resolution of Pending Legal Matters:**
  - Settled long-standing matters with Inverness Water and Sanitation District in October 2015, which significantly reduces ACWWA’s risk for future exposure and litigation.
  - Settled issues with Cottonwood Water and Sanitation District in December 2014, allowing both parties to move forward with the most effective operation of the Joint Water Purification Plant. The amended Intergovernmental Agreement (IGA) was implemented in 2015.
- **Reduced Sampling for Lead:**

During 2011, ACWWA had several water samples that exceeded the recommended levels for lead, leading to increased sampling requirements, notifications to customers, and messages on monthly bills. Primarily due to ACWWA’s successful efforts in improving overall water quality, ACWWA was able to comply with State lead levels, and in 2015 was able to reduce the sampling frequency. ACWWA was also able to eliminate the message from our monthly bills.
- **Compensation/Benefits Review:**

Staff worked with an HR consultant to conduct a comprehensive compensation and benefits review to ensure that ACWWA’s salaries and benefits are in alignment with the market and with ACWWA’s mission, vision, values and strategic goals. These findings were presented to the Board in May 2015.
- **Development of 20-year Capital Improvement Plan (CIP) and Financial Plan:**

Staff has developed functionality for scenario planning/ranking and will continue to update the 20-year CIP. In conjunction with this, staff developed a 20-year financial plan, which will be reviewed and updated as necessary to work in conjunction with the 20-year CIP Plan.
- **Cost of Service Study:**

Best practices include conducting a periodic cost of service study (COS) to determine if a utility’s rates and fees are adequate to fund current operations as well as current and future capital improvements. ACWWA commissioned a COS in 2015 and used the results to support the 2016 rate-setting process. The study is expected to be finalized by early 2016.
- **Analyze Staffing Levels/Processes:**

ACWWA’s collections, distribution and water production areas were evaluated to ensure proper staffing levels and to develop more efficient processes.

- **City of Centennial Partnership in Arapahoe Road Widening Project:**

ACWWA was able to install a connecting pipeline in conjunction with this project, which reduced ACWWA's costs and risks. The pipeline will be used to deliver water from the ACWWA Flow Project in the future.

- **Safety:**

ACWWA has historically maintained a strong culture of safety, which is directly related to managing expenses by keeping the workforce healthy. ACWWA provides training to its staff through designated safety officers. In 2015, there was no lost time due to accidents.



Above are the tertiary effluent pumps at the Lone Tree Creek Water Reuse Facility (LTCWRF).

## **7. Budget Process and Timeline**

### **7.1 Budget Preparation**

ACWWA prepares an annual budget to provide a blueprint for operations for the coming year. Copies of the draft and final budget will be made available to all interested parties and opportunities will be provided for public input prior to final adoption. Each year, as part of the budget process, ACWWA's goals and objectives are reviewed and updated as necessary to reflect current challenges as well as changed conditions. Staff also seeks direction from the Board of Directors.

### **7.2 Annual Budget Statutory Requirements**

ACWWA's annual budget is prepared and adopted under the provisions of C.R.S. §29-1-113. ACWWA's fiscal year is January 1 through December 31.

On or before October 15 of each year, ACWWA's budget officer submits a draft budget to the Governing Board. The budget covers proposed operations and funding requirements for the ensuing fiscal year. On or before December 31 of the current year the Governing Board adopts the budget. ACWWA advertises all required meetings of budget discussions along with the intent to adopt the budget.

A resolution adopting the budget and appropriating the funds is filed with ACWWA's Director of Finance, whose duty it is to disburse monies or issue orders for the payment of monies as required by statute. The final adopted budget for ACWWA is the operating and fiscal guide for the ensuing year.

### **7.3 Budget Amendments**

A budget amendment is defined as any action that increases or decreases total appropriated fund amounts in ACWWA's adopted budget. Budget amendments could be caused by various reasons, such as:

- The availability of more accurate information after the budget is adopted;
- Modified operating requirements;
- Year-end accounting adjustments.

Budget amendments must follow strict statutory guidelines. The intent to amend the budget and the notice of the Governing Board meeting and Public Hearing at which the amendment will be considered and potentially receive approval must be published in a newspaper that has general circulation within the ACWWA service area.

### **7.4 Lapse of Appropriations**

All unexpended appropriations expire at the end of the fiscal year pursuant to C.R.S. §29-1-108 (6).

## **7.5      Budget Transfers**

Budget transfers are defined as any action that changes the budget amount associated with a service, as adopted by the Governing Board. Budget transfers change budget amounts from one line item to another. It is important to note that budget transfers, unlike budget amendments, do not change total overall budget appropriation levels. Budget transfers may be processed by action of the General Manager.

## **7.6      Filing of the Budget**

No later than thirty days following the beginning of the fiscal year of the budget adopted, the governing body shall cause a certified copy of the budget, including the budget message, to be filed with the State of Colorado pursuant to C.R.S. §29-1-113 (1).

## **7.7      Financial Structure**

The State of Colorado and Generally Accepted Accounting Principles govern the use of funds and the budgeting, accounting and auditing associated with this fund structure, as determined by the Governmental Accounting Standards Board.

ACWWA works in concert with Arapahoe County to accomplish water management objectives. The primary authority for the operation of ACWWA is an IGA between Arapahoe County and the PID. ACWWA's budget includes all operations over which ACWWA is financially accountable. There are no component units required for inclusion in the Arapahoe County Water and Wastewater Authority's budget.

The primary budgetary objective is to provide the highest possible level of service to ACWWA's project participants without impairing ACWWA's sound financial condition. Continual efforts are made to improve productivity, lower costs and enhance service. ACWWA will endeavor to keep current expenditures less than current revenues. Current expenditures are defined as operating expenses, debt payments and capital improvement expenditures.

ACWWA will maintain a budgetary control system to ensure adherence to the budget and will prepare regular reports comparing actual revenues and expenditures to the budgeted amounts. Law and policies limiting revenue sources and expenditures must be explicitly addressed in the budget process. The Governing Board will not establish a goal or policy without also providing the necessary funding to accomplish those goals or policies.

The adopted budget may only be changed through actions by the Governing Board. Staff may make budget change requests to the Governing Board at a regularly scheduled Board meeting. The Governing Board will then consider the requests based on staff's recommendations and approve or deny the requests by a majority vote.

## **7.8      Budgetary Control**

The Finance Department prepares budget summary reports and unaudited financial statements on a monthly basis for review by the Governing Board.

## **7.9 Contacting ACWWA's Finance Department**

This financial report is designed to provide the Board, customers, creditors and investors with a general overview of the Authority's financial condition. Should you have any questions regarding the content of this document, please contact ACWWA at (303) 790-4830.

## **7.10 Budget Calendar**

<b><u>Date</u></b>	<b><u>Activity</u></b>
March 2015	Long-term strategic priorities are approved by the Board.
July 2015	Staff begins work on Cost of Service Study and long-term financial plan.
August 2015	Director of Finance meets with Executive Team and department heads to determine staffing levels, expense budgets, and capital outlay needed for 2016; begin developing budget. Staff conducts benefits review with broker.
September 2015	Staff and consultants present preliminary results of Cost of Service Study to Board; continue budget development; present to ACWWA Finance Committee on September 30.
October 2015	Staff and consultants present Cost of Service Study results to Board with proposed 2016 rates; present draft 2016 budget to Board by October 15.
November 2015	Staff presents 2 <sup>nd</sup> draft of 2016 budget to Board and holds rate hearing.
December 2015	On or before December 31, the Board adopts the budget.
January 2016	No later than 30 days following the beginning of the fiscal year of the budget adopted, the budget is filed with the State of Colorado.

## BUDGET MESSAGE



## 8. Budget Message

November 18, 2015

Board of Directors  
Arapahoe County Water and Wastewater Authority

Your management team is pleased to present the Arapahoe County Water and Wastewater Authority (ACWWA) 2016 Proposed Budget. The purpose of this budget is to provide citizens, investors, and other interested parties with reliable financial information about ACWWA. This budget represents our best effort to predict revenues and expenditures for the year 2016.

ACWWA's budget is one of the most important documents prepared by ACWWA. Through the process of planning and preparing the budget, ACWWA is given the opportunity to assess its plans and goals for the coming and future years. The process also provides direction for management and staff.

It is important to note that while the adoption of this budget focuses on identifying and estimating the spending of financial resources, it is also a policy-setting document. It makes decisions on the use of ACWWA's facilities, the use of staff time, and drives management decisions for 2016. As ACWWA's policy makers, you play a critical role in making decisions regarding ACWWA's future.

Several years of stagnant economic conditions throughout the country and Colorado resulted in below-average development throughout ACWWA's service area. ACWWA's service area has a large number of undeveloped land parcels and is now seeing a substantial increase in development. We have prepared a budget that reflects the improving economy.

The 2016 Budget is designed to meet the goals of ACWWA's mission and vision statements including the objective of providing the highest quality service to our customers at the lowest reasonable cost. This budget provides for planning and development of additional water resources, as well as the operation and maintenance of existing production, distribution, collections and treatment facilities to support the economic growth of ACWWA. This budget is organized and structured to meet external and internal managerial needs. The budget also incorporates the direction for ACWWA as established by the Board's priorities.

### 8.1 Board of Directors' Priorities

The Board of Directors has developed a series of Strategic Priorities to assist staff in the development of this budget. These priorities are:

- Improve Water Quality
- Improve Customer Service/Relations
- Expansion/Growth of Service Area
- Expense Management.

The 2016 budget furthers the Board's priorities as follows:

1. Improve Water Quality

- a. Together with Cottonwood Water and Sanitation District, ACWWA is evaluating potential modifications to the treatment process at the Joint Water Purification Plant (JWPP). Funds are budgeted in ACWWA's Capital Improvement Program in 2016 to continue this effort. Modifications of the treatment process could result in improved water quality provided by the JWPP.
- b. ACWWA has been tasked with ensuring that a substantial portion of ACWWA's water supply comes from the ACWWA Flow project, a high quality water supply. The 2016 budget provides funding for several critical components of the ACWWA Flow project:
  - i. The continued adjudication of water rights for municipal use.
  - ii. The purchase of 500 acre-feet of firming storage in the South Platte Basin
  - iii. The construction of a deep injection well at the East Cherry Creek Valley Water and Sanitation District water plant in which ACWWA owns capacity.
  - iv. Phase 1 of pipeline development along Arapahoe Road to allow for the transmission of ACWWA Flow water.
- c. In 2016, ACWWA will expend staff time and other resources as necessary to continue to address the discolored water events that ACWWA experienced in 2015. ACWWA will employ enhanced flushing protocols, the physical removal of sediment buildup in lines, and will balance the water sources to minimize deposition of sediment.
- d. ACWWA will further refine its water quality model to better manage water supplies and improve water quality in 2016.
- e. GIS development will allow for ACWWA to identify and maintain its geographic database of information to assist in the management and improvement of water quality in the service area.

2. Improve Customer Service/Relations

- a. ACWWA will continue to focus on customer service in 2016 to ensure that customer issues are addressed promptly and effectively. In 2015, ACWWA surveyed customers and plans to utilize the responses to help shape ACWWA's customer service/communication strategy. ACWWA will continue to reach out to the community with information and to listen.
- b. ACWWA will enhance its website in 2016 to improve communication between ACWWA and its rate payers.

3. Expansion of ACWWA's Service Area

- a. ACWWA conducted an evaluation of its development review process in 2015 (the steps that developers follow to get water and wastewater service from ACWWA). In 2016, ACWWA will implement pertinent recommendations from this analysis to improve the development review process.

- b. Staff will continue to reach out to the development community for input.

4. Expense Management

- a. ACWWA is in a mode of continuous improvement, and will be reviewing many of its policies and procedures in 2016 to ensure they are meeting ACWWA's needs in the most cost-effective manner.
- b. ACWWA is constructing a pipeline in Arapahoe Road in partnership with the City of Centennial. ACWWA seeks to partner with other agencies where appropriate in order to realize economies of scale, resulting in a reduced burden for rate payers.
- c. ACWWA, in partnership with East Cherry Creek Valley Water and Sanitation District, will be constructing a well to ensure the future utility of a water treatment plant. By partnering with ECCV, ACWWA is realizing economies of scale in this project which ACWWA would not have on its own.
- d. In 2016 ACWWA will continue its preventative maintenance program, which provides for scheduled maintenance of equipment to minimize the risk of failure. Preventative maintenance helps manage costs by reducing the chance of expensive line and system breaks that can interrupt service to ACWWA's rate payers.
- e. Ensuring system reliability through the maintenance of ACWWA's infrastructure is essential to avoiding significant service interruptions. The 2016 budget includes several projects to facilitate reliability:
  - i. Adding a third clarifier to Lone Tree Creek Water Reuse Facility will allow for necessary redundancy to facilitate preventive maintenance and mitigate potential service interruptions and potential discharge violations.
  - ii. Eliminating cross connections will allow for better management of pressures within the system.

The 2016 Budget is shaped by ACWWA's mission and reflects the Board's priorities. The operating budget was developed to ensure that enough funds are available to pay for anticipated costs. The non-operating budget includes only those projects that are necessary to meet the challenges of ensuring an adequate supply of water and the effective treatment of wastewater. The budget document reflects the progressive nature of ACWWA and promotes accountability, prudence, and fiscal conservatism.

ACWWA's Board and management strive to be proactive in anticipating future developments that will affect ACWWA's operating environment. Issues that will impact ACWWA in the coming years include:

- Greater federal and state regulation of water and wastewater operations;
- Increased pressure on water supplies, resulting in the need to manage current water supplies and for greater regional cooperation;

- Capital costs required for additional treatment capacity for the ACWWA Flow Project from 2019 – 2021;
- Higher future costs as a result of regulation and managing increasing demand for water coupled with decreasing supplies;
- An aging workforce in this sector which is creating a shortage of skilled workers;
- Aging water and wastewater infrastructure that is being addressed with ACWWA's asset management program to optimize the life of the systems.

As we move into 2016, we will continue with our commitment to provide the highest quality water and wastewater services for our customers while keeping rates as low as possible. Staff will focus on maintaining and developing internal processes to most efficiently manage ACWWA's finances and continue to be accountable to the Board of Directors and ACWWA's rate payers.

We would like to thank the Board of Directors for their leadership and foresight in adopting policies and priorities to guide the development of ACWWA's 2016 Budget. We would also like to extend our gratitude to the ACWWA employees, who through their hard work and dedication have enabled ACWWA to meet its goals and objectives for 2015. The preparation of this document would not have been possible without the support and input from all departments.

Respectfully submitted,

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Steve Witter, P.E.  
General Manager

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Kate McRae  
Director of Finance and Business Operations

## EXECUTIVE SUMMARY



## **9. Executive Summary**

The 2016 Budget for ACWWA includes both an operating and a capital component. It was prepared by ACWWA's Finance Department in accordance with Generally Accepted Accounting Principles (GAAP). We believe the data presented is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position of ACWWA.

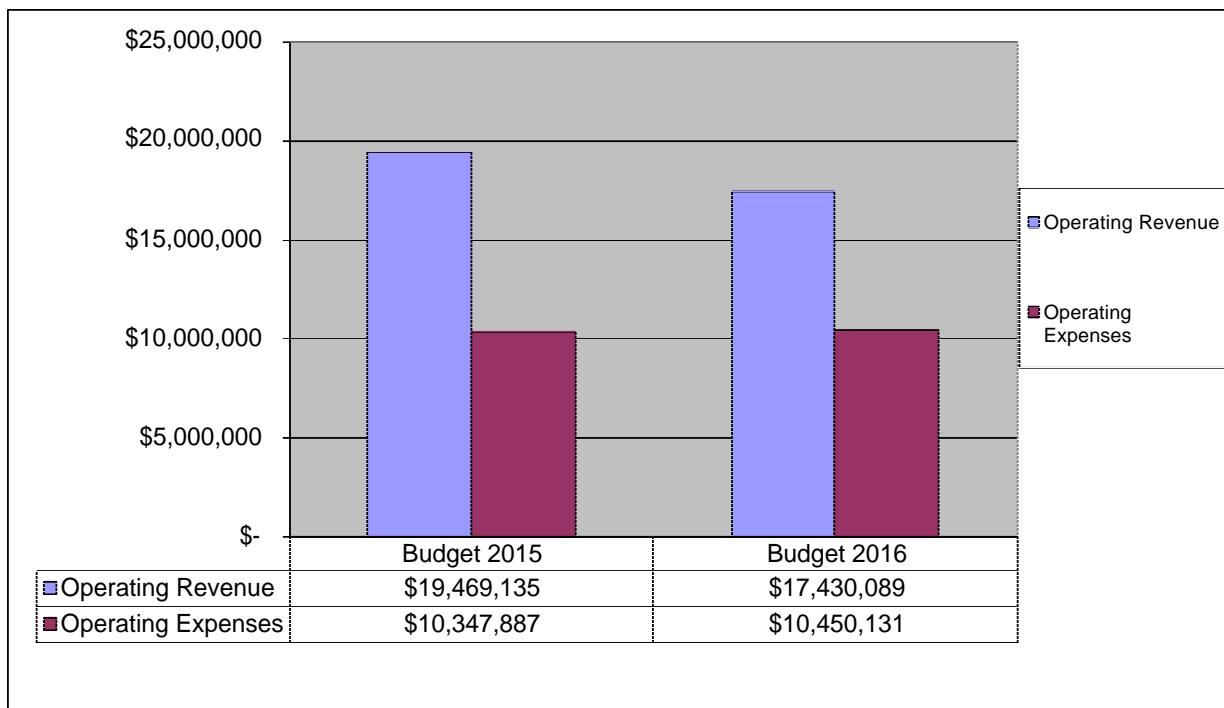
ACWWA distinguishes operating revenues and expenditures from non-operating items. Operating revenues and expenditures generally result from providing services and delivering water in connection with the ongoing operations. The principal operating revenues of the Authority are charges to customers for services. Operating expenditures include the cost of providing services, administrative expenses, and depreciation on capital assets. All revenues and expenditures not meeting this definition are reported as non-operating revenues and expenditures.

### **9.1 Significant Budgetary Items and Trends**

The 2016 budget provides funds for the minimum level of expense needed to operate ACWWA in order to provide effective service to ratepayers, maintain the current infrastructure, and add the necessary capital improvements to ensure future operations. ACWWA conducted a cost of service study in 2015 to ensure that rates will be adequate to fund current operations as well as current and future capital improvements. As the infrastructure ages, continued investment in the system will be needed to keep it functioning at a high level. Key components of the 2016 budget include:

- Water rates increase of 3%;
- Wastewater rates increase of 4%;
- Water tap fee increase of less than 1%; wastewater tap fee increase of 13.2% for a combined tap fee increase of 3.4%;
- Operating revenue of \$17.4 million;
- Operating expenses of \$10.5 million;
- Non-operating revenue of \$8.7 million, primarily from tap fees;
- Non-operating expenditures of \$18.6 million comprised mainly of debt service payments of \$10.3 million and capital spending of \$7.9 million;
- ACWWA is able to fund needed capital improvements through 2019 without incurring new debt; however, a bond issue may be necessary around 2020 to pay for system improvements.

## 9.2 Operating Budget



### Operating Budget 2015 vs. 2016

Operating revenue is projected to be \$17.5 million in 2016, an increase of 5.7% from estimated 2015 revenue of \$16.5 million. The increase in operating revenue is expected to come from a 2% increase in number of accounts, a 3% water rates and fees increase, and a 4% wastewater rates and fees increase. Budgeted revenue for 2016 reflects a 10.3% decrease from budgeted 2015 revenue in part because record rainfall in the spring and early summer had a significant impact on ACWWA's projected irrigation revenue for 2015; the 2016 budget reflects a more conservative outlook.

The 2016 operating expense budget has increased 1.1% overall from the 2015 operating expenses budget. Operating expenses of \$10.5 million are budgeted to be \$1.1 million higher than estimated 2015 expenses of \$9.4 million. The main factors driving this increase are personnel costs, repairs and maintenance, and water costs.

The 2016 salaries and benefits budget reflects full staffing levels throughout the year, compared to 2015, in which there were a number of vacant positions. The budget also includes a 3% overall salary adjustment. While Board action in 2015 to manage ACWWA's funding of employee retirement benefits will result in benefits savings for 2016, this is partially offset by a 5.8% increase in health care premiums.

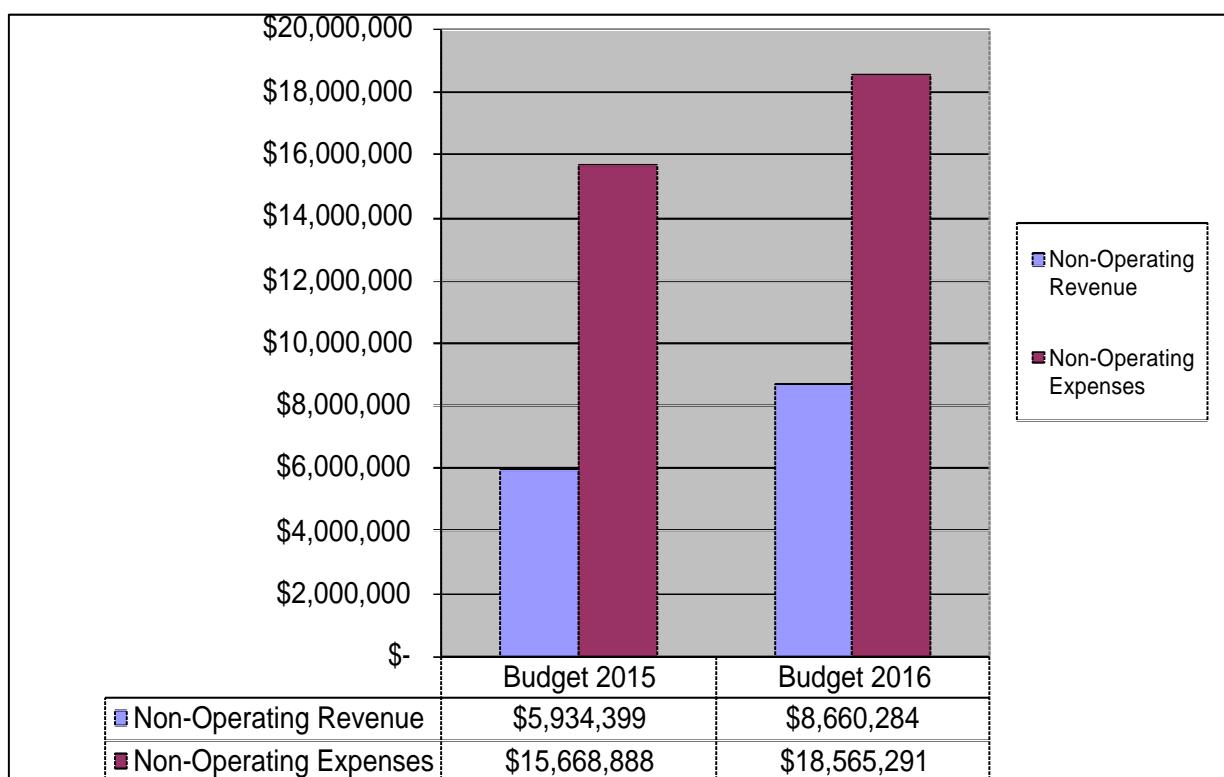
The repairs and maintenance budget includes \$150,000 for resolution of cross-connections throughout the water system, which will contribute to improving water quality and system reliability. The budget also includes \$150,000 to repair air piping for the sludge digesters and for asphalt work at the LTCWRF. The cost of treatment for the ACWWA Flow water supply is

projected to increase 6.5% next year. A contingency budget of \$400,000 was included to fund unanticipated expenses such as major emergency system repairs.

### 9.3 Non-operating Budget

Non-operating revenues are budgeted at \$8.7 million in 2016 vs. \$5.9 million projected for 2015. This increase in revenue is primarily due to an increase in the number of estimated tap sales from 110 tap equivalents in 2015 to 189 in 2016. The change in projected tap sales is the result of anticipated growth in development in the ACWWA service area in 2016. Cottonwood Water and Sanitation (CWSD) is also expecting a significant increase in the number of tap sales for 2016, and ACWWA will be providing the wastewater service for these new taps for CWSD. Additionally, ACWWA is planning for 35 new water taps in the Elkhorn Ranch development. The cost of water taps will increase 0.8% in 2016 and sewer tap fees will increase from \$6,501 to \$7,360 per tap, for an overall tap fee increase of 3.4%.

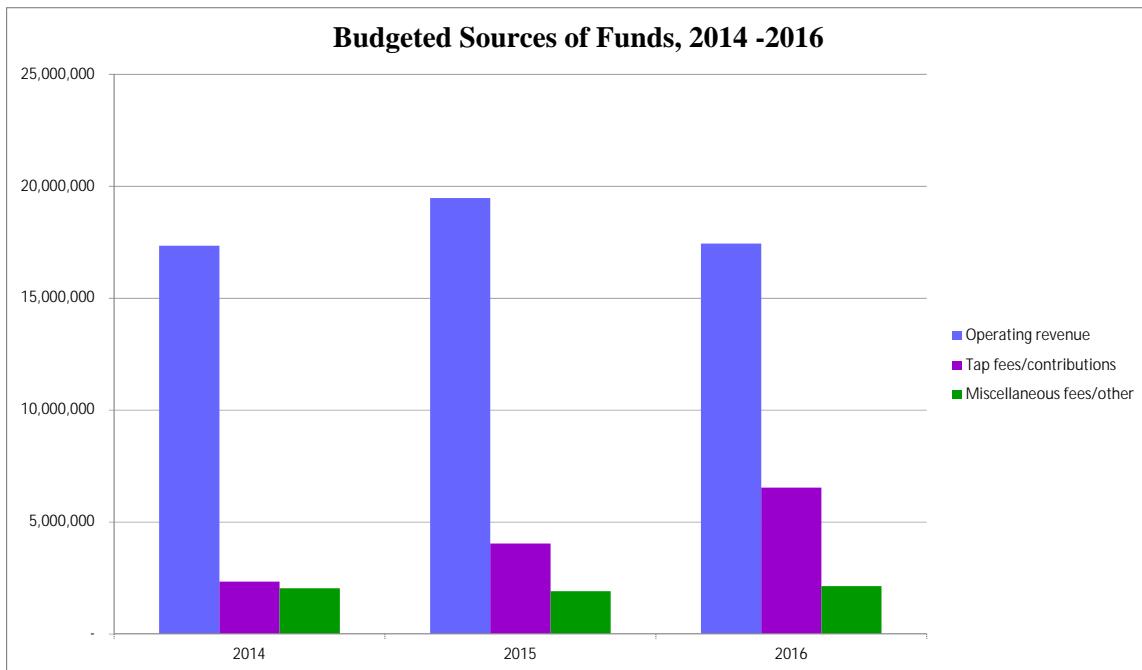
Non-operating expenditures of \$18.6 million include \$7.9 million in capital projects. Of this, \$2.7 million is carried over from the 2015 capital budget for projects that were approved and budgeted for in prior years, but that have not yet been completed. These projects are funded from prior year reserves. The 2016 budget for new capital projects is \$5.2 million, and of this, \$1.5 million is for the Lone Tree Creek Water Reuse Facility (LTCWRF); these expenditures can largely be funded from the LTCWRF reserve account rather than current operations. A detailed list of 2016 capital projects can be found in Section 10.



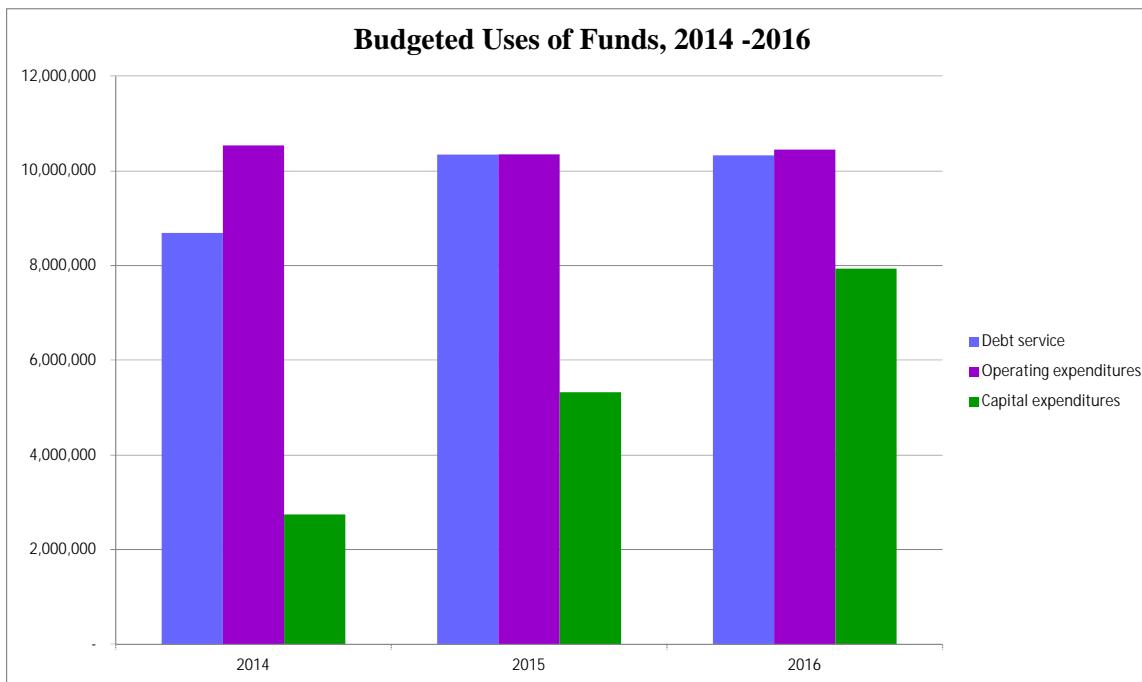
Non-operating Budget 2015 vs. 2016

## 9.4 Sources and Uses of Funds (Budgeted)

### Budgeted Sources of Funds 2014 – 2016



### Budgeted Uses of Funds 2014 -2016



## **10. 2016 Capital Improvements Program**

ACWWA's Capital Improvements Program (CIP) is a key component of the budget, as it identifies the critical projects required to ensure ACWWA can meet the needs of its customers. The major projects in the 2016 capital improvement budget are listed below.

### **1. Lone Tree Creek Water Reuse Facility Clarifier No. 3 – Equipment Installation:**

This project consists of the equipping of the existing concrete tank that was installed during the initial construction of the LTCWRF wastewater treatment facility. The costs for the clarifier equipment have been estimated at \$1,260,000, with a 10% contingency for a total of \$1,385,000. Preparatory work consists of preparing the engineering report for the installation and submittal to the CDPHE for site application review.

### **2. ACWWA Flow Adjudication Costs:**

This includes the anticipated 2016 adjudication costs for the ACWWA Flow project. These are legal and engineering support fees to complete the applications for the change of water rights from agricultural use to municipal use. There are currently two ACWWA Flow change cases slated for trial in 2016, the Gilcrest Reservoir case in March and the Weldon Valley case in September. Other cases that are not slated for trial but will require adjudication efforts in 2016 include Western Mutual, Fort Morgan, and Larimer Weld.

The estimated adjudication costs for 2016 are \$825,000.

### **3. Settlement Obligations for the 10CW306 Case:**

The settlement of the 10CW306 Case requires ACWWA and United Water and Sanitation District to construct and monitor a water measurement flume as well as groundwater monitoring wells. The cost, estimated at \$300,000, includes the design engineering, equipment, and installation of the prescribed flume for water measurement and monitoring. Data from the flumes and wells will inform a groundwater model being developed. This effort is a collaboration with Farmers Reservoir and Irrigation Company (FRICO).

### **4. Injection Well No. 2 at the East Cherry Creek Valley Reverse Osmosis (RO) Facility:**

This project is to fund ACWWA's portion of the new concentrate injection well for the ECCV Water Treatment Plan. This well is part of the brine disposal system, and is the second well for injection of the RO reject water. It is necessary to provide continuous operation of the RO facility, which delivers ACWWA with 2.25 million gallons per day of treated water. The design, engineering, and initial construction are scheduled to take place in 2016, with completion in 2017. ACWWA's share of the 2016 costs is \$990,000.

## **5. ACWWA Flow Connection - Arapahoe Road - Flow Meter Vault and S. Greenfield Piping:**

These two components will complete the connection of the newly installed 24" pipeline along Arapahoe Road. The timing of the pipeline was accelerated because of the inclusion in the City of Centennial's Arapahoe Road Project; the flow meter vault and the S. Greenfield interconnect piping to ECCV distribution system were not included in the initial project. Included will be CDPHE review of the interconnection facilities for ACWWA to tie into the ECCV Water distribution system. Costs are estimated to be \$400,000.

## **6. Cherry Creek Water Rights Adjudication:**

ACWWA has a pending application in water court for changes of use and other additions. The adjudication of these water rights will allow ACWWA greater use and security of its water rights. This is budgeted for \$200,000.

## **7. GIS Development:**

This project includes the ongoing annual GIS system development to enhance usability. The cost will be approximately \$25,000.

## **8. Water Development Project – Cherry Creek Project Water Authority**

This project includes the acquisition of water rights from the John Jones Ditch pursuant to a 2008 agreement stating that the Authority would adjudicate these water rights and pay the seller for the rights once the yield is determined. In 2012, ACWWA purchased additional groundwater rights and is paying for these rights over time. The capital costs to develop the additional water rights have been estimated at \$250,000 for 2016.

## **9. JWPP – RO Reconversion Project**

Options for converting the JWPP back to the reverse osmosis (RO) water treatment process are currently being evaluated. This is a joint project with Cottonwood Water and Sanitation District. ACWWA is estimating its 2016 cost for this to be \$150,000, with an additional \$1.35 million needed in 2017 if the decision is made to construct the proposed improvements.

## **10. SCADA (Supervisory Control and Data Acquisition)**

SCADA is a system that operates with coded signals over communication channels to provide control of remote equipment. ACWWA has multiple facilities that require a SCADA system to provide control for these remote facilities. The SCADA Upgrade projects for 2016 include the installation of hardware and programming needed for the transition to the new SCADA interface at the LTCWRF, the JWPP, and for the Elkhorn Ranch water supply system. The estimated cost of the SCADA upgrades is \$105,000.

## **11. Wellsite Improvements**

This project consists of improvements to the access road around the Smith well site. Deliveries of chemicals and equipment are currently hindered by the unpaved access road. The installation of an all-weather access road is projected to cost approximately \$50,000.

## **12. Water Meter Upgrades**

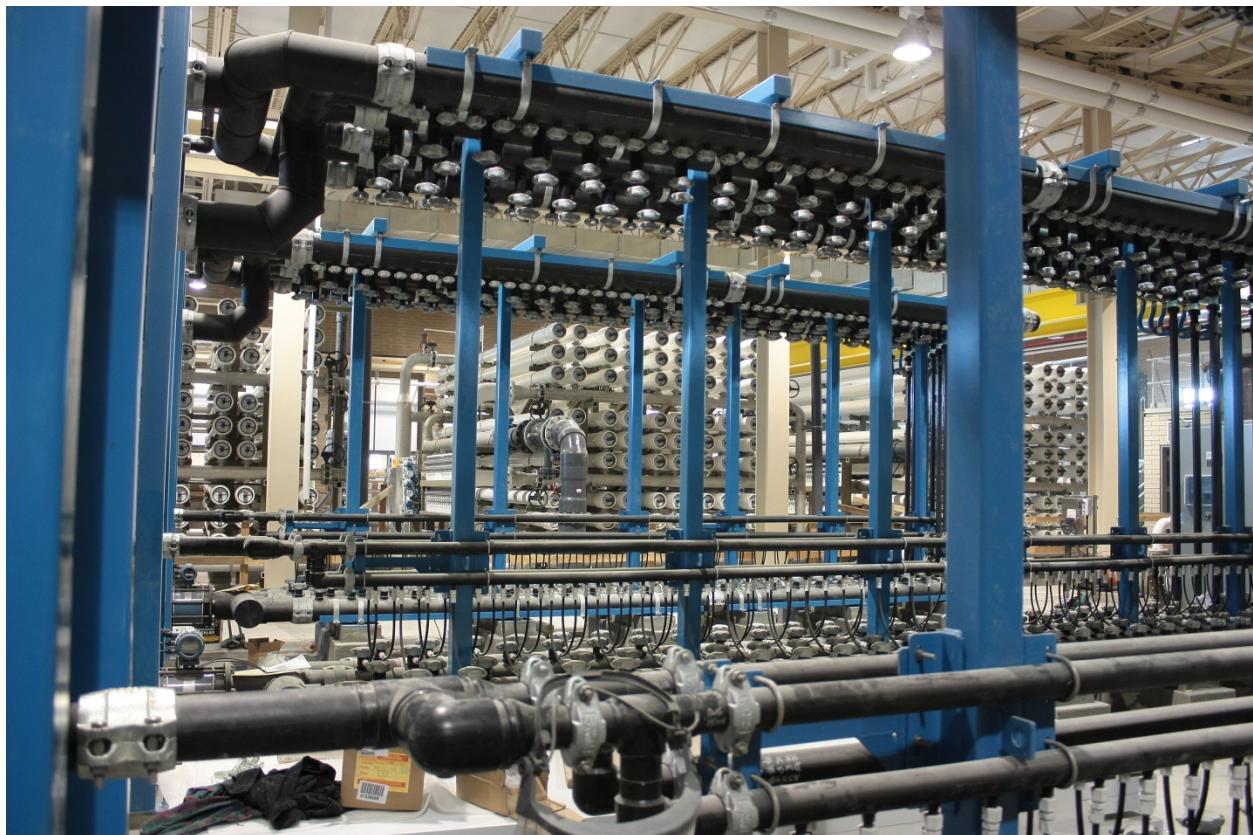
Installation of the radio read (drive-by read) water meters will allow ease of access for water meter readings. The purchase and installation of these radio read transmitters will provide more timely and accurate meter readings, and enhance safety for meter readers. The cost is approximately \$25,000, which is funded by tap fees.

## **13. Renew/Replace Water/Wastewater Assets**

ACWWA has reserved \$395,000 to fund emergency equipment replacement and unanticipated capital projects that become necessary to maintain system operations and integrity.



## FINANCIAL SUMMARIES AND NOTES



## 11. Board Summary Forecasted 2016 Combined Operations

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

### BOARD SUMMARY

FORECASTED 2016 BUDGET  
WITH 2014 ACTUAL AND 2015 ESTIMATED  
For the Years Ended and Ending December 31

	ACTUAL 2014	BUDGET 2015	ESTIMATED 2015	PROPOSED 2016
BEGINNING FUNDS AVAILABLE	\$ 33,098,613	\$ 32,271,765	\$ 36,171,912	\$ 33,331,888
REVENUE				
Operating revenue:				
Water Charges	7,484,537	8,633,451	7,712,360	8,048,986
Sewer Charges	5,062,929	5,891,198	5,201,610	5,401,273
Fire Lines	990,432	1,126,717	1,014,160	1,065,476
Irrigation	2,058,482	2,557,308	1,631,330	1,713,875
Fees for Services	924,763	969,961	689,180	743,285
RO Plant Revenue	221,869	290,500	278,357	441,063
Total operating revenue	16,743,013	19,469,135	16,526,997	17,413,958
Non-operating revenue:				
Interest Income	10,144	18,000	9,880	30,000
Miscellaneous Revenue	2,081,904	1,886,532	2,096,800	2,100,078
Tap Fees and Contributions	4,584,600	4,029,867	2,164,650	6,530,205
Total non-operating revenue	6,676,648	5,934,399	4,271,330	8,660,283
Total revenue	23,419,661	25,403,534	20,798,327	26,074,242
Total funds available	56,518,273	57,675,299	56,970,239	59,406,129
EXPENDITURES				
Office Expense	199,604	317,020	263,260	320,600
Salaries and Benefits	3,517,201	3,768,714	3,502,925	3,831,950
Insurance	161,035	184,690	184,690	175,732
Legal	531,638	360,000	430,269	306,000
Professional Fees	491,946	792,000	738,307	638,000
Repairs and Maintenance	828,741	939,500	756,432	1,037,617
Operational	1,678,105	2,196,203	2,045,173	2,314,212
Utilities	1,362,855	1,639,990	1,218,633	1,276,122
Contract Services	172,862	134,870	125,170	135,000
Bad Debt Expense	75,502	500	310	500
Other Supplies and Expense	78,259	14,400	85,292	14,400
General Contingency	-	-	-	400,000
Total operating expenditures	9,097,750	10,347,887	9,350,460	10,450,131
Non-operating expenses:				
Debt Service	7,533,180	10,342,888	10,342,888	10,329,624
Reserve Funding - LTCWRF Funding	-	-	378,280	288,000
Reserve Funding - RO Plant	-	-	12,667	12,667
Capital Outlay	3,715,432	5,326,000	3,554,057	7,935,000
Total non-operating expenditures	11,248,612	15,668,888	14,287,892	18,565,291
Total expenditures and transfers out requiring appropriation	20,346,361	26,016,775	23,638,352	29,015,422
ENDING FUNDS AVAILABLE	\$ 36,171,912	\$ 31,658,524	\$ 33,331,887	\$ 30,390,707
DEBT SERVICE RESERVE	\$ 7,672,717	\$ 7,675,000	\$ 7,672,710	\$ 7,675,000
LTC CAPITAL RESERVE	2,014,774	2,000,000	2,400,000	1,000,000
TOTAL RESERVE	\$ 9,687,491	\$ 9,675,000	\$ 10,072,710	\$ 8,675,000

## 12. Board Summary Forecasted 2016 Budget Water Operations

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

WATER OPERATIONS

FORECASTED 2016 BUDGET AS PROPOSED

WITH 2014 ACTUAL AND 2015 ESTIMATED

For the Years Ended and Ending December 31

ACTUAL 2014	BUDGET 2015	ESTIMATED 2015	PROPOSED 2016
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### REVENUES

#### Operating revenues:

Water Charges	7,484,537	8,633,451	7,712,360	8,048,986
Fire Lines	990,432	1,126,717	1,014,160	1,065,476
Irrigation	2,058,482	2,557,308	1,631,330	1,713,875
Fees for Services	462,932	486,730	269,901	321,523
RO Plant Revenue	221,869	290,500	278,357	441,063
<b>Total operating revenues</b>	<b>11,218,252</b>	<b>13,094,706</b>	<b>10,906,108</b>	<b>11,590,923</b>

### EXPENSES

#### Operating expenses:

Office Expense	160,844	265,982	228,941	270,646
Salaries and Benefits	2,213,503	2,396,550	2,137,359	2,231,941
Insurance	127,495	103,059	103,059	91,652
Legal	467,102	279,000	362,099	229,050
Professional Fees	382,758	573,071	530,812	525,120
Repairs and Maintenance	595,400	652,393	483,658	647,933
Operational	1,298,366	1,714,675	1,581,245	1,796,950
Utilities	874,891	1,000,521	707,401	740,029
Contract Services	-	-	-	-
Bad Debt Expense	55,117	365	226	365
Other Supplies and Expense	8,679	10,512	82,843	10,512
Contingency	-	-	-	292,000
<b>Total operating expenditures</b>	<b>6,184,153</b>	<b>6,996,127</b>	<b>6,217,645</b>	<b>6,836,198</b>

#### Operating income (excluding depreciation)

Operating income (excluding depreciation)	5,034,099	6,098,578	4,688,463	4,754,725
<b>Non-operating revenues:</b>				
Interest Income	7,405	13,140	7,212	21,900
Miscellaneous Revenue	2,079,463	1,880,603	2,089,934	2,093,976
Tap Fees and Contributions	3,903,272	3,119,677	1,869,730	4,579,805
<b>Total non-operating revenues</b>	<b>5,990,141</b>	<b>5,013,420</b>	<b>3,966,876</b>	<b>6,695,681</b>
<b>Non-operating expenses:</b>				
Reserve Funding - RO Plant	-	-	12,667	12,667
Debt Service	6,635,419	8,955,198	8,955,198	8,949,460
Capital Outlay	3,021,002	5,284,706	3,339,856	6,420,300
<b>Total non-operating expenses</b>	<b>9,656,421</b>	<b>14,239,904</b>	<b>12,307,721</b>	<b>15,382,426</b>
<b>NET INCOME (not including depreciation)</b>	<b>\$ 1,367,819</b>	<b>\$ (3,127,906)</b>	<b>\$ (3,652,381)</b>	<b>\$ (3,932,020)</b>

## 13. Board Summary Forecasted 2016 Sewer Operations

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY

### SEWER OPERATIONS

FORECASTED 2016 BUDGET AS PROPOSED

WITH 2014 ACTUAL AND 2015 ESTIMATED

For the Years Ended and Ending December 31

	ACTUAL 2014	BUDGET 2015	ESTIMATED 2015	PROPOSED 2016
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#### REVENUES

##### Operating revenues:

Sewer Charges	5,062,929	5,891,198	5,201,610	5,401,273
Fees for Services	461,831	483,231	419,279	421,762
Total operating revenues	5,524,760	6,374,429	5,620,889	5,823,035

#### EXPENSES

##### Operating expenses:

Office Expense	38,761	51,038	34,319	49,954
Salaries and Benefits	1,303,698	1,372,164	1,365,565	1,600,009
Insurance	33,541	81,631	81,631	84,080
Legal	64,536	81,000	68,170	76,950
Professional Fees	109,188	218,929	207,495	112,880
Repairs and Maintenance	233,342	287,107	272,774	389,684
Operational	379,739	481,528	463,928	517,262
Utilities	487,964	639,469	511,232	536,092
Contract Services	172,862	134,870	125,170	135,000
Bad Debt Expense	20,386	135	84	135
Other Supplies and Expense	69,826	3,888	2,449	3,888
Contingency	(246)	-	-	108,000
Total operating expenditures	2,913,597	3,351,760	3,132,815	3,613,933

##### Operating income (excluding depreciation)

2,611,164      3,022,670      2,488,074      2,209,102

##### Non-operating revenues:

Interest Income	2,739	4,860	2,668	8,100
Miscellaneous Revenue	2,441	5,929	6,866	6,102
Tap Fees and Contributions	681,328	910,190	294,920	1,950,400
Total non-operating revenues	686,507	920,980	304,454	1,964,602

##### Non-operating expenses:

Reserve Funding - LTCWRF Funding	-	-	378,280	288,000
Debt Service	897,760	1,387,690	1,387,690	1,380,165
Capital Outlay	694,430	41,294	214,201	1,514,700
Total non-operating expenses	1,592,190	1,428,984	1,980,171	3,182,865

##### NET INCOME (not including depreciation)

\$ 1,705,481      \$ 2,514,665      \$ 812,357      \$ 990,840

## **14. Budget Notes**

### **14.1 Revenue**

#### **14.1.1 Water Charges**

This item includes charges for providing water to residential and commercial customers, a water investment fee, hydrant meter water, and water service fees.

#### **14.1.2 Sewer Charges**

Sewer charges include the rates charged to wastewater customers for collecting wastewater, moving it to the LTCWRF, and treating it.

#### **14.1.3 Fire Lines**

This item includes the charge to maintain enough water in the system for fire protection standby systems (i.e., sprinkler systems) at all times.

#### **14.1.4 Irrigation**

Irrigation includes irrigation water charges for those customers who have separate irrigation meters.

#### **14.1.5 Fees for Services**

Fees includes items such as the PID equivalency fee paid by Cottonwood, labor service call fees, hydrant meter rentals, meter inspections, radio read meter fees, and miscellaneous revenue.

#### **14.1.6 RO Plant Revenue**

This item reflects the budgeted expense reimbursement to be received from ACWWA's partner in the Joint Water Purification Plant (JWPP). The offsetting expenses are budgeted under the Operational expense category

#### **14.1.7 Interest Income**

Interest income is the amount earned by ACWWA on funds held with CoBiz Bank.

#### **14.1.8 Miscellaneous Revenue**

This item is primarily comprised of the Build America Bond interest refund.

#### **14.1.9 Tap Fees and Contributions**

Fees/contributions include fees for water and sewer tap sales in ACWWA service area, water tap sales in Elkhorn, and sewer taps sales in the Cottonwood district. This also includes the extraterritorial fees charged to Elkhorn Ranch customers.

Water tap sales are estimated to be 150 in 2016, including 35 in Elkhorn. Cottonwood wastewater tap sales are projected at 150.

## **14.2 Expenses**

### **14.2.1 Office Expenses**

Office expense includes items such as office supplies and equipment, postage, association dues, unemployment insurance, training and education, and dues and subscriptions.

### **14.2.2 Salaries and Benefits Expenses**

This item includes salaries, health benefits, retirement contributions, tuition reimbursement, service awards and payroll taxes.

### **14.2.3 Insurance Expenses**

This includes insurance for ACWWA's property, plant and equipment as well as workers' compensation insurance.

### **14.2.4 Legal Fees**

Legal fees expense comprises amounts paid to ACWWA's retained counsel, employment counsel, and for water rights protection legal services.

### **14.2.5 Professional Fees**

These are fees paid to outside consultants to perform work that ACWWA does not have either staff with the technical expertise or the capacity to do the work. The primary driver of professional services is engineering fees for the various ACWWA projects. Audit fees are also included here.

### **14.2.6 Repairs and Maintenance**

Repairs and Maintenance includes equipment rental, buildings and equipment maintenance, landscaping, and vehicle expense – fuel, license and registrations, tires, repairs and maintenance. The highest cost items are repairs and maintenance to the water and wastewater systems – line break repairs, valves, meter repair, pumps, etc. As the systems age, it is normal for repairs and maintenance costs to increase.

### **14.2.7 Operational**

This item includes the cost of water from ECCV, the JWPP expenses allocated to ACWWA's partner in the plant, safety expenses, ditch assessments, and staff uniforms.

### **14.2.8 Utilities**

This item includes water, sewer, electricity, gas, telephone, and internet service.

#### **14.2.9 Contract Services**

This is the cost for hauling sludge from the wastewater treatment plant.

#### **14.2.10 Bad Debt**

This is an estimate for writing off uncollectible accounts.

#### **14.2.11 Other Supplies and Expenses**

This line includes Board of Directors expense.

#### **14.2.12 General Contingency**

This item provides for unanticipated expenses. While every effort is made to accurately predict costs for the upcoming budget year, it is possible that major water or sewer line breaks or costly equipment failures could occur, and these will be covered by contingency funds.

#### **14.2.13 Debt Service**

This line includes principal and interest payments on outstanding bond issues.

#### **14.2.14 Reserve Funding – LTCWRF**

This line represents ACWWA's required funding to the LTCWRF capital reserve fund

#### **14.2.15 Reserve Funding – JWPP**

This line represents ACWWA's required funding to the JWPP capital reserve fund.

#### **14.2.16 Capital Outlay**

This item includes budgeted capital projects and equipment.

## **15. Budgeted 2016 Capital Outlay**

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## 16. Schedule of Debt Service Requirements to Maturity

ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY											
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY											
December 31, 2015											
\$22,940,000 Variable Rate Revenue Refunding Bonds Series 2004		\$18,760,000 Variable Rate Water And Wastewater Revenue Bonds Series 2007		\$91,515,000 Variable Rate Tangible Water And Wastewater Revenue Refunding Bonds Series 2008		\$5,525,000 Fixed Rate Water And Wastewater Revenue Refunding Loan Series 2012					
Dated December 28, 2004		Dated August 22, 2007		Dated December 8, 2008		Dated September 26, 2012					
Variable Interest Rate		Variable Interest Rate		Variable Interest Rate		Fixed Interest Rate Interest					
Principal And Interest		Principal And Interest		Principal And Interest		Due June 1 and December 1					
Due December 1		Due December 1		Due December 1		Principal Due December 1					
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
											Total
2016	705,000	846,439	545,000	714,838	1,695,000	5,703,021	-	120,327	2,945,000	7,384,624	10,329,624
2017	740,000	811,189	570,000	691,675	1,740,000	5,627,599	-	120,327	3,050,000	7,250,789	10,300,789
2018	775,000	774,189	600,000	663,175	1,790,000	5,546,776	1,055,000	120,327	4,220,000	7,104,466	11,324,466
2019	805,000	743,189	630,000	637,675	1,845,000	5,459,155	1,080,000	97,433	4,360,000	6,937,452	11,297,452
2020	840,000	710,989	650,000	608,550	1,915,000	5,364,230	1,110,000	73,997	4,515,000	6,757,765	11,272,765
2021	875,000	677,389	680,000	579,300	1,980,000	5,262,831	1,135,000	49,910	4,670,000	6,569,429	11,239,429
2022	915,000	637,389	710,000	548,700	2,050,000	5,155,020	1,145,000	25,281	4,820,000	6,366,389	11,186,389
2023	950,000	598,770	750,000	515,863	2,120,000	5,040,322	-	-	3,820,000	6,154,954	9,974,954
2024	995,000	556,739	780,000	481,175	2,200,000	4,918,528	-	-	3,975,000	5,956,442	9,931,442
2025	1,035,000	514,450	820,000	445,100	2,285,000	4,788,838	-	-	4,140,000	5,748,388	9,888,388
2026	1,080,000	470,464	860,000	404,100	2,380,000	4,641,913	-	-	4,320,000	5,516,476	9,836,476
2027	1,125,000	424,564	900,000	363,250	2,480,000	4,488,879	-	-	4,505,000	5,276,692	9,781,692
2028	1,175,000	376,750	940,000	320,500	2,585,000	4,329,415	-	-	4,700,000	5,026,665	9,726,665
2029	1,225,000	326,814	990,000	273,500	2,690,000	4,163,199	-	-	4,905,000	4,763,513	9,668,513
2030	1,275,000	274,750	1,040,000	224,000	2,805,000	3,990,232	-	-	5,120,000	4,488,982	9,608,982
2031	1,340,000	211,000	1,090,000	172,000	2,925,000	3,807,066	-	-	5,355,000	4,190,066	9,545,066
2032	1,405,000	144,000	1,145,000	117,500	3,050,000	3,616,063	-	-	5,600,000	3,877,563	9,477,563
2033	1,475,000	73,750	1,205,000	60,250	3,175,000	3,416,898	-	-	5,855,000	3,550,898	9,405,898
2034	-	-	-	-	6,125,000	3,209,571	-	-	6,125,000	3,209,571	9,334,571
2035	-	-	-	-	6,385,000	2,809,608	-	-	6,385,000	2,809,608	9,194,608
2036	-	-	-	-	6,660,000	2,383,090	-	-	6,660,000	2,383,090	9,043,090
2037	-	-	-	-	6,950,000	1,938,202	-	-	6,950,000	1,938,202	8,888,202
2038	-	-	-	-	7,250,000	1,473,942	-	-	7,250,000	1,473,942	8,723,942
2039	-	-	-	-	14,815,000	989,642	-	-	14,815,000	989,642	15,804,642
<b>Total</b>	\$ 18,735,000	\$ 9,172,818	\$ 14,905,000	\$ 7,821,150	\$ 89,895,000	\$ 98,124,036	\$ 5,525,000	\$ 607,602	\$ 129,060,000	\$ 115,725,606	\$ 244,785,606

## GLOSSARY AND ACRONYMS



## 17. Glossary of Terms and Acronyms

- Accrual Basis – The basis of accounting under which revenues are recorded when earned and measurable expenditures are recorded as soon as they result in liabilities for benefits received.
- ACWWA – Arapahoe County Water and Wastewater Authority
- ACWWA Flow Project – A renewable water source project.
- Adopted Budget – ACWWA’s adopted budget is the fiscal year’s financial plan that details the Governing Board approved revenues and expenditures.
- Alternate Water Supply – The Alternate Water Supply is a search for new methods to meet current and projected demands for water. These may include aquifer storage and recovery, wastewater reuse projects and the acquisition of water through the purchase of water rights.
- Amendment – An amendment is a change to an adopted budget. It can increase or decrease a fund total.
- Appropriation – An authorization granted by the Governing Board to make expenditures and to incur obligations for specific purposes.
- Aquifer – An aquifer is an underground bed or layer of earth, gravel or porous stone that yields water.
- Aquifer Storage and Recovery – This is the practice of injecting surplus water into an aquifer through wells and then pumping it out as needed.
- Assets – Property owned by ACWWA which has monetary value.
- Audit – The examination of documents, records, reports, systems of internal control, accounting and financial procedures, and other evidence for the purpose of ascertaining fair presentation of financial statements, determining propriety, legality and accuracy of transactions.
- Bond – A written promise, generally under seal, to pay a specified sum of money, called the face value or principal amount, at a fixed time in the future, called the date of maturity, and carrying interest, usually payable periodically.
- Budget – A resource allocation plan for the accomplishment of programs related to established objectives and goals within a definite period.
- Budget Message – The opening section of the budget, which provides the reader with a general summary, and description of the most important aspects of the budget, changes from the current and previous years, and the views and recommendations of management.
- Capital Improvement Plan (CIP) – A plan for capital expenditures to be incurred each year over a fixed period of years to meet the capital needs of ACWWA.

- Capital Outlay – Expenditures which result in the acquisition of or addition to fixed assets. Generally consists of machinery and equipment, furniture and fixtures costing more than \$5,000 with a useful life of more than one year.
- Capital Project – Expenditures which result in the construction of or major improvements to ACWWA’s buildings and infrastructure. Generally consists of projects costing more than \$5,000 and lasting more than three years.
- Cash Basis – The basis of accounting under which revenues are recorded when received in cash and expenditures are recorded when paid.
- CWSD – Cottonwood Water and Sanitation District
- Debt – An obligation resulting from the borrowing of money or from the purchase of goods and services.
- Debt Service – Cash outlays in the form of debt principal payments, periodic interest payments and related services charges for debt incurred in prior periods.
- Deficit – The excess of expenditures over revenues during a fiscal year.
- Department – An organizational unit such as Water or Wastewater.
- Depreciation – The expiration in the service life of an asset generally attributable to wear and tear through use, lapse of time or obsolescence. Depreciation is generally not budgeted; however, it is accounted for on the financial statements.
- Disbursement – A cash payment for goods or services procured by ACWWA.
- Enterprise – An entity that qualifies under the Taxpayer’s Bill of Rights (TABOR) as being a government-owned business authorized to issue its own revenue bonds and receiving fewer than 10 percent of its annual revenue in grants from all Colorado state and local governments combined.
- Enterprise Fund – A fund established to finance and account for the acquisition, operation, and maintenance of governmental facilities and services, which are entirely or predominantly self-supporting, by user charges.
- Expenditure – Under the accrual basis or modified accrual basis, this term designates the cost of goods delivered or services rendered, whether paid or unpaid. This expression is generally used for governmental type funds.
- Expenses – Charges incurred, whether paid or unpaid for operation, maintenance, and interest, and other charges, which are presumed to benefit the current fiscal period. This expression is generally used for proprietary type funds such as enterprises, trust and agencies.
- Fiscal period – A period of time usually consisting of twelve months. At the end of the fiscal period a governmental unit determines its financial position and the results of its operations. ACWWA’s fiscal period is January 1 to December 31.
- FTE – An FTE is a “Full-Time Equivalent” which is equivalent to one full-time employee who works 40 hours per week for 52 weeks, for a total of 2,080 work hours.

- Fund – A self-balancing accounting entity segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restriction or limitation such as Water and Wastewater.
- Fund Balance – Resources remaining from prior years, which are available to be budgeted in the current year.
- FY – Fiscal Year
- Generally Accepted Accounting Principles (GAAP) – Generally Accepted Accounting Principles are uniform minimum standards and guidelines for financial accounting and reporting. Currently, the Financial Accounting Standards Board (FASB), the Governmental Accounting Standards Board (GASB) and the Federal Accounting Standards Advisory are authorized to establish these principles.
- Gross Revenue – All income and revenues directly or indirectly derived from the operation and use of the System, or any part thereof.
- IWSD – Inverness Water and Sanitation District
- Internal Controls – A plan of organization under which employee's duties are so arranged and records and procedures so designed as to make it possible to protect and exercise effective accounting control over assets, liabilities, revenues and expenditures.
- Long Term Debt – Debt that is legally payable from revenues and backed by the credit of ACWWA.
- MGD – Million gallons per day
- Operating Budget – A budget that applies to all other outlays other than capital projects.
- Operation and Maintenance (O&M) Expenses – All reasonable and necessary current expenses paid or accrued for operating, maintaining, and repairing the System.
- Performance Measures – A performance measure is a specific quantitative measure of work performed, outputs and inputs.
- PID – Public Improvement District. Specifically, the Arapahoe County Water and Wastewater Public Improvement District.
- Program – A group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the government is responsible.
- Pump Stations – A pump station is a manmade structure that uses a pump to transfer water from one location to another.
- Refunding Bonds – Bonds issued solely to retire bonds already outstanding.
- Reserve – An account which records a portion of the fund balance which must be segregated for some specific use and which is, therefore, not available for other expenditures.

- Resolution – A special or temporary order or decision of the Board of Directors acting as a legislative body. A resolution and a motion have the same force and effect.
- Retained Earnings – The cumulative earnings of an operation that generally have been invested in property, plant and equipment or current assets.
- Revenue – Additions to assets, which do not increase any liability, do not represent the recovery of expenditure, and do not represent the cancellation of certain liabilities.
- Revenue Bonds – Bonds whose principal and interest are payable exclusively from earnings of a public enterprise.
- SDWA – Safe Drinking Water Act
- Surplus – The excess of the assets of a fund over its liabilities or its resources over its disbursements.
- System – All water and wastewater facilities and properties, now owned or hereafter acquired, whether situated within or outside of ACWWA's boundaries.
- TBD – To be determined
- Tap fees – the cost of connecting a home or business to the water and/or wastewater systems.
- Tap equivalent – a mathematical calculation to convert disparate numbers of water and wastewater taps into a single unit of measurement.
- Taxpayer's Bill of Rights (T.A.B.O.R.) – An amendment to the constitution of Colorado enacted in 1992 that limits the powers of governments in Colorado to levy taxes and incur debt. It also sets forth revenue limits for non-enterprise systems. TABOR is found at Article X, Section 20 of the Colorado Constitution.

## APPENDIX



## **FPP.1. Financial Policies and Procedures**

### **FPP.1 Basis of Accounting**

For budgetary reporting purposes, ACWWA uses the modified accrual basis of accounting and budgeting for all funds.

Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred. Non-cash expense items such as depreciation expense for fixed assets and accrued compensated absences are excluded from the budget. All annual appropriations lapse at the end of the fiscal year.

ACWWA operates under one fund for budgetary purposes. However, ACWWA’s departments are categorized in service lines – water and wastewater – for budgetary and financial reporting purposes.

The costs of vacation and sick leave benefits (accrued compensated absences) are expended when payments are made to employees. The liability for all accrued and vested vacation and sick pay benefits, and vested sick leave benefits is recorded as a long-term liability.

### **FPP.2 Revenue Policies**

ACWWA estimates revenues conservatively using an objective and analytical approach employing techniques such as reviewing historical trends, current information, and economic indicators to ensure consistency, reliability and reasonableness. ACWWA utilizes a financial model that allows future revenue projections and that can be updated annually to reflect changing conditions. ACWWA’s long-term financial plan assesses long-term financial implications of current and proposed policies and programs. It also serves as a tool to allow staff to deal with financial issues proactively.

- ACWWA shall maintain a diversified and stable revenue base. Existing and potential revenue sources shall be reviewed annually for stability, equity efficiency and capacity to finance future operations.
- An objective, analytical process that recognizes the sensitivity of each revenue source shall be used to estimate revenues.
- Whenever authorized and appropriate, user fees and charges shall be established to recover the full costs of all programs and services.

### **FPP.3 Rates and Charges**

Rates and charges are the primary component of ACWWA’s revenue. User fees fund the services provided to ACWWA’s customers. ACWWA utilizes a cost recovery concept to

determine how costs are allocated to classes of customers. The full cost of providing various services is used as the basis for setting rates and fees. The full cost method incorporates both direct and indirect costs, including operations and maintenance, overhead, and charges for the use of capital facilities. Examples of ACWWA's overhead include billing, payroll processing, accounting and administrative services, computer support, office supplies, and other central administrative charges.

ACWWA's Board of Directors established the following guidelines for the user rate and charge setting process:

- Rates and charges are established utilizing a generally accepted cost recovery methodology that is consistent and legally defendable using the following approaches: revenue requirement analysis cost of service analysis, and rate design analysis. ACWWA conducted a rate study in the third quarter of 2015, which is the basis for 2016 rates.
- Rate design shall be reflective of ACWWA's Board of Directors' rate setting objectives.
- Rates shall be set at a level to collect more reliable revenues through a combination of system access charges and low to medium users' commodity rates to meet ACWWA's revenue requirements.
- Rates and charges will be reviewed and updated annually based on factors such as the impact of inflation, other cost increases, and the adequacy of coverage of costs.
- ACWWA must produce revenues sufficient to pay:
  - a minimum of 1.25 times the Annual Debt Service Requirements as required to meet debt coverage covenants of ACWWA's bonds; and
  - the amounts required to be deposited in any reserve or contingency fund created for the payment and security of obligations.
- ACWWA will adjust rates and charges as the Board deems necessary so that net system revenues from such adjusted rates and charges will be sufficient at all times to meet the requirements.

#### **FPP.4 Recognition of Revenues**

Revenues are recorded when earned. Customers' meters are read and bills are prepared monthly based on billing cycles.

#### **FPP.5 Expenditure Policy**

ACWWA's expenditures reflect the commitment of the Board of Directors and staff to serve present and future customers reliably. The Board and staff believe that prudent expenditure planning and accountability will ensure fiscal stability. Expenditures are projected conservatively using an objective and analytical approach and employing certain techniques such as the review of historical trends, current information, and economic indicators to ensure consistency, reliability, and reasonableness. ACWWA's financial model allows for future projections of capital and operating expenditures.

## **FPP..6 Disbursements**

Disbursement of Authority funds must be for a legitimate purpose and within budgetary limits.

Payment for Authority contracts and purchase orders are contingent on evidence of receipt or acceptance of the specific deliverables.

## **FPP..7 Maintenance of Capital Assets**

Maintaining a reliable transmission and distribution system and a sustained capital program are not possible without reliable funding sources. Prudent financial planning is critical to an effective capital improvement program. ACWWA uses a combination of debt financing and “pay as you go” to fund the capital improvement program and maintenance of capital assets. The annual capital improvements cost is estimated by staff and is included in the amount to be funded from rates and charges.

Within the resources available each fiscal year, ACWWA will strive to maintain capital assets and infrastructure at a satisfactory level to protect its investment, to minimize future replacement and maintenance costs, and to maintain service levels.

## **FPP..8 Review of Service Policy**

These expenditure policies are used by staff to prompt review of services to see if they are being provided as effectively and efficiently as possible. ACWWA’s review of service policy is designed to accomplish the following:

- Encourage greater efficiency and effectiveness of the delivery of services by sharing resources and coordinating with other public and private organization through partnerships;
- Where possible, utilize technology and productivity advancements that will help reduce or avoid increasing personnel costs;
- Control personnel costs as a proportion of total budget by the more effective use of resources.

## **FPP..9 Cash Management Policies and Practices**

ACWWA’s cash management policies strive to:

- maximize ACWWA’s cash position;
- accelerate collections and control disbursements to optimize cash availability;
- meet its financial obligations on a timely basis in order to maintain public trust and productive relations with employees, suppliers, and contractors;
- develop monthly cash flow projections to help formulate investment strategies for the most effective use of resources;
- manage funds in a prudent and diligent manner that meets the criteria of legality, safety, liquidity and yield, in that order of importance.

## **FPP..10      Debt Financing**

ACWWA will use debt financing when it is judged to be appropriate based on the long-term capital needs of ACWWA, and the capacity to repay the indebtedness has been evaluated in light of all sources and uses of cash.

ACWWA will only incur long-term debt for the financing of capital improvements that are not expected to recur and are long-lived. Conversely, if the capital requirements are recurring, of relative small scale or are for short-lived improvements, the costs of these improvements will be paid from current revenues.

## **FPP..11      Reserve Funds**

ACWWA maintains several reserve funds. In partnership with Inverness Water and Sanitation District (IWSD), maintains a Repair and Replacement Reserve for the Wastewater Treatment Plant of which ACWWA contributes 69.44% and IWSD contributes 30.55%. ACWWA currently contributes \$288,000 to this reserve annually. ACWWA and CWSD maintain a reserve fund for the JWPP to which ACWWA contributes \$12,667 annually. ACWWA is also required by bond covenants to maintain debt service reserves of \$7.6 million.

## **FPP..12      Revenue Bonds**

ACWWA does not collect taxes and cannot issue General Obligation Bonds. ACWWA may issue Revenue Bonds secured by a pledge of revenues. Revenue Bonds are limited liability obligations that pledge net revenues of ACWWA to debt service. The net revenue pledge is after payment of all operating costs. The financial markets require coverage ratios of the pledged revenue stream and a covenant to levy rates and fees sufficient to produce net income at some level in excess of debt service.

There may be an additional test required to demonstrate that future revenues will be sufficient to maintain debt service coverage levels after additional bonds are issued. ACWWA will strive to exceed the coverage ratio required by the debt covenants. Annual adjustments to ACWWA's rate structure may be necessary to maintain these coverage ratios.

The credit rating of Revenue Bonds is based on the ability of ACWWA's existing rates to provide sufficient net income to pay debt service, as well as the perceived willingness of ACWWA's Board of Directors to raise rates and fees in accordance with its bond covenants. Past performance also plays a role in evaluating the credit quality of Revenue Bonds, as does the diversity of the customer base.

## **FPP..13      Capital Leases**

Capital lease and installment sale agreements shall be considered as an alternative to long-term debt. Although these forms of alternative financing are subject to annual appropriation, they shall be treated as long-term debt until maturity.

ACWWA currently has no Capital Lease Obligations.

## **FPP..14      Long-Term Debt**

Long-term debt is defined as bonded indebtedness whose maturity is at least ten years from issue date.

When developing funding strategies for projects; ACWWA will first consider revenues unique to such projects, e.g.; water funds for water projects, and wastewater funds for wastewater projects.

Projects will be funded with Revenue Bonds only if no other revenue source can be utilized.

When appropriate, ACWWA will use long-term debt financing to: achieve an equitable allocation of capital costs/charges between current and future system users, to provide more manageable rates in the near and medium term, and to minimize rate volatility.

For growth-related projects, debt financing will be utilized as needed to better match the cost of anticipated facility needs with timing of expected new connections to the system and spread the costs evenly over time.

Every effort will be made to schedule principal and interest payments so as to avoid fluctuations in debt service requirements and related fluctuations in user fees. Because debt financing involves long-term commitments, the projects that are financed through debt financing will only be those that have a useful life at least equal to the debt amortization period. Therefore, debt financing shall be used only for capital expenditures and not for addressing maintenance items.

A rate review will be conducted when appropriate to ensure predictable and affordable changes to utility system rates. ACWWA will maintain rates to confirm that it meets bond coverage requirements. Exceptions to this strategy may be made by the Governing Board for projects that are mandated by judicial or regulatory bodies, or for emergency situations.

## **FPP..15      Short-Term Debt**

User fees should support needed capital improvements on a pay-as-you-go basis to the greatest extent possible. In the event short-term debt financing is required, lease-purchases, operating leases or other debt instruments may be used as a short-term (less than ten years) method of borrowing. This financing may be used for costs such as the purchase of fleet equipment, the renovation or reconstruction of capital assets, specialized types of equipment purchases, communications, and data transmission systems.

ACWWA may utilize short-term borrowing to serve as a bridge for anticipated revenues, construction financing or future bonding capacity.

All proposals for short-term financing will be evaluated on a case-by-case basis with findings presented to the Board prior to authorizing financing. Examples of issues to be addressed in the case-by-case analysis may include, but not necessarily be limited to the following:

- The extent to which the proposed improvement(s) either (a) extend the useful life of the facility(s) by greater than five years or (b) add to the long-term value of the underlying asset by an amount equal to or in excess of the cost of the improvement. Improvements may be one project or a series of projects, when performed as a package, extend the useful life by the required minimum.

- The extent to which a permanent, ongoing additional maintenance commitment is required in order to maintain the value and utility of the financed improvements during the time period in which the financing is outstanding.
- The extent to which an improvement(s) provides a long-term solution to a problem or effectively arrests deterioration which might lead to structural failure, beyond which the process should not have to be repeated if there is appropriate preventative maintenance.
- The extent to which financing spreads the cost of the improvements between present and future users.

## **FPP..16      Debt Authorizations**

All long and short-term debt shall require Board authorization prior to issuance. ACWWA has no plans to issue debt in 2016.

### **FPP..1      Current Debt Outstanding**

In 2006, ACWWA issued \$22,940,000 in Revenue Refunding Bonds. The proceeds from the 2006 Series Bonds were used to refund the Water and Wastewater Revenue Variable Rate Refunding and Improvement Bonds, Series 2003A and the Taxable/Tax-Exempt Water and Wastewater Revenue Variable Rate Refunding Bonds, Series 2003B.

In 2007, ACWWA issued \$18,760,000 in Revenue Refunding Bonds. The proceeds from the 2007 Series Bonds were used to refund the Water and Wastewater Revenue Variable Rate Refunding and Improvement Bonds, Series 2003C and to provide \$10 million of new money to be used for capital projects.

In 2009, ACWWA issued \$91,545,000 in Taxable Water and Wastewater Revenue Direct Pay Build America Bonds and \$5,625,000 in Water and Wastewater Revenue Bonds. The proceeds from the 2009 Series Bonds were used to purchase a renewable water source, infrastructure, and water storage. This project is identified as the ACWWA Flow Project. In 2012, ACWWA refunded the 2009 Series B Bonds.

A summary of outstanding debt is as follows:

- Water and Wastewater Revenue Refunding Bonds, Series 2006 Bonds, original amount \$22,940,000; amount outstanding January 1, 2016 - \$18,735,000.
- Water and Wastewater Revenue Refunding Bonds, Series 2007 Bonds, original amount \$18,760,000; amount outstanding January 1, 2016 - \$15,435,000
- Taxable Water and Wastewater Revenue Direct Pay Build America Bonds, Series 2009A Bonds, original amount \$91,545,000; amount outstanding January 1, 2016 - \$89,695,000
- Water and Wastewater Revenue Bonds, Series 2012 Bonds, original amount \$5,525,000; amount outstanding January 1, 2016 - \$5,525,000.

## **FPP.. .2      Debt Limits**

ACWWA is not legally restricted as to the amount of debt that can be issued.

## **FPP..17      Balanced Budget**

Colorado statutes and ACWWA's financial policies require an annual budget that is balanced. A balanced budget is one in which the budget has sufficient projected revenues and available resources to equal anticipated expenditures. Throughout the budget development process, projected revenue estimates are updated and compared against proposed expenditures.

ACWWA has developed a series of revenue and expenditure assumptions, based on current and projected economic indicator, and historical trends. Expenditure and revenue collection history for the last two years and information supplied by various departments were used to determine revenue sources and uses.

## **FPP..18      ACWWA's Funds**

ACWWA describes a fund as a self-balancing accounting entity segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restriction or limitation such as water or wastewater.

### **FPP.. .0      Funds Available**

ACWWA describes funds available as resources remaining from prior years, which are available to be budgeted in the current year.

### **FPP.. .1      Restricted Cash Funds**

Restricted cash funds are those that are legally set aside for a particular purpose and cannot be used for any other purpose. These are funds whose use is not at the discretion of the Board. The only restricted cash fund that ACWWA maintains is a debt reserve account which is a requirement of bond covenants.

### **FPP.. .2      Designated Cash Funds**

Designated cash funds are general use funds that have been set apart by Board action for a specific purpose. These funds can only be used for those purposes. However, these funds are at the discretion of the Board and can be used for any other purpose by an action of the Board. ACWWA maintains designated funds to provide for the repair and replacement of facilities.

### **FPP.. .3      General Use Cash Fund**

General use cash funds are funds that are not restricted or designated. ACWWA maintains a general cash fund to provide cash for operations, debt service, and capital improvements.

## **FPP.. .4 Authority Funds Subject to Appropriation**

ACWWA operates as an Enterprise Fund. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, in that the costs of providing goods or services to the general public are financed through user charges.



## **Budget Resolution 2015-02**

A RESOLUTION SUMMARIZING REVENUES AND EXPENDITURES FOR EACH FUND, ADOPTING A BUDGET, AND APPROPRIATING SUMS OF MONEY TO THE VARIOUS FUNDS IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY, ARAPAHOE COUNTY, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY, 2016, AND ENDING ON THE LAST DAY OF DECEMBER 2016.

WHEREAS, the proposed 2016 budget has been submitted to the Board of Directors of the Arapahoe County Water and Wastewater Authority for its consideration; and

WHEREAS, upon due and proper notice, published in the Aurora Sentinel and the Douglas County News Press in accordance with the law, and said proposed budget was open for inspection by the public at a designated place, a public hearing was held on November 18, 2015 and interested persons were given the opportunity to file or register any objections to said 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 ARAPAHOE COUNTY WATER AND WASTEWATER AUTHORITY, ARAPAHOE COUNTY, COLORADO:

Section 1: 2016 Budget Revenues. That the estimated revenues for each fund set out in the budget are accepted and approved.

Section 2: 2016 Budget Expenditures. That the estimated expenditures for each fund set out in the budget are accepted and approved.

Section 3: Designation of Ending Fund Balances as Reserves. That pursuant to Const. Colo. Article X, Section 20, the December 31, 2015, ending fund balance of the Operating Fund, the exact amount to be determined as part of the audit of the December 31, 2015 financial statements, is designated as a general reserve for future contingencies.

Section 4: Adoption of Budget for 2016. That the budget as submitted and if amended, then as amended, is hereby approved and adopted as the budget of the Arapahoe County Water and Wastewater Authority for calendar year 2016.

Section 5: Fiscal Year Spending Limits. That, being fully informed, the Board finds that the foregoing budget does not result in a violation of any applicable fiscal year spending limitation.

Section 6: Appropriations. That the amounts set forth as expenditures and balances remaining, as specifically allocated in the budget are hereby appropriated from the revenue of each fund, to each fund, for the purposes stated and no other.

Section 7: Discretion: The General Manager may exercise discretion in administration of the Operating Budget to respond to changed circumstances, provided that any modification in excess of \$25,000 receives approval by the Board.

ADOPTED AND APPROVED this 9th day of December, 2015.

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President

ATTEST:

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Secretary