

VALLEY SANITATION DISTRICT

2016 BUDGET REPORT

SUMMARY

The 2016 Budget for Valley Sanitation District has been prepared in accordance with the modified accrual basis of budgetary accounting.

Services to be provided in accordance with the 2016 budget include operation, maintenance and repair of Valley's 26.8 miles of sanitary sewer mains.

In March 2014, the Valley Sanitation District Board of Directors adopted Resolution No. 2014-2-1 establishing the Valley Sanitary Sewer System Rehabilitation Enterprise (Enterprise). The Enterprise began assessment of a sewer service fee for capital projects on January 1, 2015. Enterprise revenue for 2015 is estimated to be \$50,000 and for 2016 revenue is projected to be \$56,890. Enterprise funds will be used to pay for a portion of the 2016 outfall sewer rehabilitation capital project.

Total revenue from all sources in 2016 is projected to be \$222,617; \$165,728 general revenue and \$56,890 enterprise revenue. Total expenditures including contingencies and emergency reserves are budgeted at \$369,896, \$27,377 more than budgeted in 2015. Operating expenditures are budgeted at \$147,948, \$25,760 more than 2015 budgeted expenses. There is one capital project budgeted for 2016 in the amount of \$174,025.

Beginning funds available in 2016 are estimated to be \$597,436. The reserve fund balance is projected to decrease \$147,280 to \$450,156 at year end 2016. If the District does not spend money from the TABOR emergency reserve and the contingency budget items, the total reserve funds balances at year end 2015 will be \$498,079 of which \$106,890 is restricted for use by the Enterprise.

REVENUE

- Total Revenue in 2016 is projected to be \$222,617 \$891 less than the 2015 budget. Enterprise revenue for 2016 is budgeted at \$56,890.
- The largest single source of revenue is proposed to be property tax revenue amounting to \$141,533, 64 percent of total District revenue. Assessed values of taxable property within Valley Sanitation District increased \$12,322,123 (22.9 percent) from \$53,815,463 in tax year 2014 to \$66,572,582. The increase is due to the biannual reassessment of all real property. Application of the District's 2015 mill levy (2.493 mills) would result in property tax revenue in excess of the state 5.5 percent revenue limitation. Thus, a mill levy reduction of .367 mills will be certified to bring tax revenue into alignment with

state statute revenue limitations. Certification of a mill levy of 2.140 mills will result in property taxes amounting to \$141,533, \$7,371 more than 2015 budgeted property tax revenue. A breakdown of assessed valuations and property tax revenue for each county is shown on page two of the budget.

- Specific Ownership Tax income amounting to \$9,200 is budgeted for 2016. Specific ownership taxes represent the District's share of automobile registration fees and are remitted to the District by the county treasurers in accordance with a formula based on each local government's mill levy certification
- Investment income is projected to decrease \$266 from estimated 2015 revenue of \$1,760 to \$1,494 projected for 2016. The average yield on District investments in 2016 is projected to be 0.25 percent.
- Valley's Sanitary Sewer System Rehabilitation Enterprise has imposed a service fee for 2016 that will be assessed on City of Englewood sewer bills to Valley customers. Service fee revenue is 10 percent of each customers' City of Englewood sewer bill. The revenue will be collected by Englewood and remitted to Valley. Projected service fee revenue for 2016 is estimated to be \$56,890.
- Tap fee revenue in 2016 is projected to be \$12,000 from the issuance of sewer tap permits for properties located in the Willowcroft Manor subdivision in the Columbine Water and Sanitation District.

EXPENSES

- Total expenses for 2016 are budgeted at \$369,896, \$147,948 for operations, \$174,025 for capital projects, and \$47,923 for contingencies and emergency reserves.
- Sanitary sewer maintenance expenses for 2016 are budgeted at \$77,400, \$19,650 more than the \$57,750 budgeted in 2015. Projected maintenance expenses are based on the District's preventive maintenance program and represent 52.3 percent of total operating expenses.
- Remedial and emergency repairs for 2016 are budgeted at \$10,000. Remedial maintenance does not include any specific maintenance activities but reserves funds for repairs determined to be necessary throughout the year as a result of sewer video inspections. Emergency repairs include costs associated with sewer backup response and remediation. Again, funds are not allocated to specific activities, but are available if needed.
- The 2016 budget includes \$5,000 for engineering services. These services will include investigation of alternatives to relocate the District's outfall sewer from the land fill located south of Oxford Ave.

- Administrative expenses are budgeted at \$20,000 in 2016; the same amount budgeted in 2015. This line item includes administration, financial, and management functions conducted by Platte Canyon Water and Sanitation District staff under the Intergovernmental Agreement between Valley and Platte Canyon.
- Advertising and publication expenses include publication of special district compliance notices and advertisement for construction project bids. The budget for 2016 for this line item is \$125; the same amount budgeted in 2015.
- The budget for legal services which are authorized on an as needed basis is \$2,500; the same amount budgeted in 2015. It is anticipated that the District will pursue annexation of several properties that are receiving sewer service but are not within District boundaries and, therefore, not assessed the District's mill levy.
- The 2016 budget amount to conduct the annual audit is \$5,000; the same amount budgeted in 2015.
- Meeting hall rent represents the expenditure for rental of meeting space for monthly Board of Directors meetings. The amount budgeted for 2016 is \$300; the same amount budgeted in 2015.
- Insurance for general liability, officers and directors' liability, worker's compensation, and commercial crime coverages are obtained from the Colorado Special District's Property and Liability Pool. The amount budgeted for all coverages in 2016 is \$3,000; \$500 less than the amount budgeted in 2015.
- The District is required by state statute to be a member of the Utility Notification Center of Colorado. As a tier one member of UNCC, Valley is required to pay for each utility location request transmitted to the District. The amount budgeted for utility location charges in 2016 is \$2,000, \$500 more than budgeted in 2015, but \$70 less than the estimated 2015 expenditure of \$2,070.
- Supplies includes routine office, stationary and filing materials. The budget for this line item is \$500; the same amount budgeted in 2015.
- Director's fees are budgeted at \$6,000 and assume 100 percent attendance of all directors at all regularly scheduled Board meetings.
- Salaries and payroll taxes represent personnel costs for the District manager. The budget for 2016 is \$8,500; the same amount budgeted in 2015.
- Treasurer's fees are budgeted at \$2,123. The county treasurers are allowed to retain 1.5% of property tax revenue as a processing fee.
- The 2016 budget includes \$2,500 for public relations related expenses such as newsletters, informational brochures, and website expenses.

- The regular biannual special district elections are scheduled for May 3, 2016. The terms of office for three directors will expire in 2016. The budget for 2016 for election expenses is \$2,000.
- There is one capital project proposed in the 2016 budget. The project consists of rehabilitation of 230 feet of 21-inch and 785 feet of 24-inch concrete sewer main located on property owned by Francis Kent. The amount budgeted for this project is \$174,025.
- Contingencies are budgeted at \$30,000; the same amount budgeted in 2015. In addition, \$17,923 is budgeted as an emergency reserve as required by the TABOR Amendment.

PROPERTY TAXES

- The general operations mill levy for Valley Sanitation District in 2016 (tax year 2015) is proposed to remain the same as the levy certified in tax years 2006 through 2015, 2.493 mills. However, due to the reassessment of all taxable property within the Valley Sanitation District, a one-time mill levy reduction of .367 mills will be imposed in 2016. The mill levy to be certified to Denver and Arapahoe Counties will be 2.126 mills.
- Assessed values increased this year to \$66,572,582 from \$53,838,821 assessed in 2015. Eighty-three percent of the District assessed value is located in Arapahoe County and 17 percent in Denver County.
- Total property tax revenue proposed for 2016 is \$141,533; \$7,371 more than the budgeted amount of \$134,162 in 2015.

LEASE - PURCHASE AGREEMENTS

- As required by *C.R.S. 29-1-103(3)(d)*, the 2016 budget includes a schedule for lease purchase agreements. Valley does not have any lease-purchase agreements requiring expenditure of funds in 2015.

TEN YEAR FINANCIAL PLAN

- The Ten Year Financial Plan projects a reserve fund balance of \$597,436 at year end 2015. The fund balance is projected to decrease (including contingency and tabor emergency reserve expenditures) to \$450,158 in 2016. The Financial Plan projects that the District will issue \$1,000,000 in bonds in the year 2025 to pay for capital projects beginning in 2021 and continuing through 2025. The reserve fund will be depleted in 2014 necessitating the sale of bonds or implementation of an alternative revenue enhancement measure. The Board reviews the fund balance every year to determine the adequacy of the reserves to fund District administrative, operations, maintenance, and capital project expenditures.

- The average yield on District investments is assumed to be 0.25% in 2016 through 2019 and then increase by 0.25% per year to a maximum 3.14%. Interest revenue is projected to produce approximately 2.1% of total District revenue over the ten year planning period.
- Service fee revenue from the Enterprise is expected to produce approximately 24.1% of all District revenue over the ten year planning period.
- Operating expenses are projected to increase 2.5% in 2017 and increase by one-half a percent per year to a maximum of 3.5% per year thereafter.
- Capital expenditures are projected to be \$1,861,399 between 2016 and 2025. These expenses are derived from the District's asset replacement and rehabilitation program that schedules sanitary sewer pipe replacement or rehabilitation at a specific date that is determined by the expected useful life of each District asset. The useful life of concrete pipe is 65 years, vitrified clay pipe 75 years and all other sewer pipe types 100 years.

VALLEY SANITATION DISTRICT

2016 BUDGET

	ACTUAL 2013	ACTUAL 2014	BUDGET 2015	ESTIMATED 2015	PROPOSED BUDGET 2016	DIFFERENCE FROM 2015 BUDGET	
Beginning Balance January 1	\$445,425	\$493,271	\$543,525	\$512,760	\$597,436		
REVENUE							
Property Taxes	\$130,966	\$129,801	\$134,220	\$134,162	\$141,533	\$7,313	5.45%
Specific Ownership Taxes	\$9,189	\$8,914	\$8,724	\$8,688	\$9,200	\$475	5.45%
Interest Earned	\$2,149	\$2,071	\$2,174	\$1,760	\$1,494	(\$680)	-31.28%
Service Fee (Enterprise)	\$0	\$0	\$56,890	\$50,000	\$56,890	\$0	0.00%
System Development Fee (Tap Fees)	\$0	\$4,200	\$20,000	\$19,000	\$12,000	(\$8,000)	-40.00%
Other	\$3,298	\$2,290	\$1,500	\$2,205	\$1,500	\$0	0.00%
Total Revenue	\$145,602	\$147,276	\$223,508	\$215,815	\$222,617	(\$892)	-0.40%
OPERATING EXPENDITURES							
<u>MAINTENANCE</u>							
Maintenance & Repairs	\$56,634	\$71,413	\$57,750	\$78,250	\$77,400	\$19,650	34.03%
Repairs Remedial/Emergency	\$0	\$5,495	\$10,000	\$0	\$10,000	\$0	0.00%
Engineering	\$620	\$0	\$1,000	\$5,000	\$5,000	\$4,000	400.00%
<u>ADMINISTRATION</u>							
Administrative Expenses	\$16,060	\$21,128	\$20,000	\$17,025	\$20,000	\$0	0.00%
Advertising & Publication	\$14	\$110	\$125	\$100	\$125	\$0	0.00%
Legal	\$253	\$2,574	\$2,500	\$0	\$2,500	\$0	0.00%
Audit	\$4,500	\$4,500	\$5,000	\$4,438	\$5,000	\$0	0.00%
Meeting Hall Rent	\$300	\$300	\$300	\$150	\$300	\$0	0.00%
Insurance	\$2,245	\$2,825	\$3,500	\$2,607	\$3,000	(\$500)	-14.29%
UNCC	\$1,005	\$1,111	\$1,500	\$2,070	\$2,000	\$500	33.33%
Supplies	\$189	\$174	\$500	\$605	\$500	\$0	0.00%
Director's Fees & Expenses	\$5,800	\$5,800	\$6,000	\$5,700	\$6,000	\$0	0.00%
Salaries & Payroll Taxes	\$7,854	\$7,751	\$8,500	\$7,510	\$8,500	\$0	0.00%
Treasurers Tax Collection Fee	\$1,849	\$1,837	\$2,013	\$2,012	\$2,123	\$110	5.46%
Public Relations	\$0	\$2,240	\$2,500	\$1,342	\$2,500	\$0	0.00%
Election Expense	\$0	\$0	\$0	\$0	\$2,000	\$2,000	0.00%
Other	\$433	\$529	\$1,000	\$630	\$1,000	\$0	0.00%
Sub-Total Operating Expenses	\$97,756	\$127,787	\$122,188	\$127,439	\$147,948	\$25,760	21.08%
CAPITAL EXPENDITURES							
Capital Outlay	\$0	\$0	\$174,025	\$3,700	\$174,025	\$0	0.00%
Sub-Total Capital Expenditures	\$0	\$0	\$174,025	\$3,700	\$174,025	\$0	0.00%
Contingency	\$0	\$0	\$30,000	\$0	\$30,000	\$0	0.00%
TABOR Emergencies Reserve	\$0	\$0	\$16,306	\$0	\$17,923	\$1,617	9.92%
Total Expenditures	\$97,756	\$127,787	\$342,519	\$131,139	\$369,896	\$27,377	7.99%
Ending Balance December 31	\$493,271	\$512,760	\$424,514	\$597,436	\$450,156		

VALLEY SANITATION DISTRICT 2016 BUDGET

PROPERTY TAXES ASSESSED

	Tax Year 2012	Tax Year 2013	Tax Year 2014	Tax Year 2015
Assessed Valuation				
Arapahoe County	\$43,954,180	\$42,751,560	\$44,000,813	\$54,855,722
Denver County	\$9,574,890	\$9,150,070	\$9,814,650	\$11,716,860
Total Valuation	\$53,529,070	\$51,901,630	\$53,815,463	\$66,572,582
 Mill Levy	2.493	2.493	2.493	2.493
Temporary Mill levy Reduction				(0.367)
				<hr style="width: 100%; border: 0.5px solid black;"/> 2.126
 Property Tax Revenue	 \$133,448	 \$129,391	 \$134,162	 \$141,533
				 \$116,623

**VALLEY SANITATION DISTRICT
2016 BUDGET**

**SCHEDULE I
LEASE - PURCHASE SUPPLEMENTAL SCHEDULE
(29-1-103(3)(d), C.R.S)**

I. Real Property Lease - Purchase Agreements:

Total Amount to be expended for all Real Property Lease - Purchase Agreements in 2015	\$0.00
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II. All Lease - Purchase Agreements Not Involving Real Property:

Total Amount to be expended for all Non-Real Property Lease - Purchase Agreements in 2015	\$0.00
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VALLEY SANITATION DISTRICT Ten Year Financial Plan (2016-2025)

Summary

	ACTUAL	ESTIMATED	BUDGETED									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
BEGINNING FUNDS AVAILABLE	\$493,271	\$512,760	\$597,436	\$450,158	\$588,343	\$682,557	\$773,201	\$870,894	\$943,911	\$748,756	\$682,179	\$268,052
REVENUES												
Property taxes General Revenue (Exhibit 1)	129,801	134,162	141,534	165,765	174,053	174,053	184,497	184,497	195,566	195,566	207,300	207,300
Property taxes Debt Service (Exhibit 1)	0	0	0	0	0	0	0	0	0	0	0	0
Specific ownership taxes	8,914	8,688	9,200	10,775	11,313	11,313	11,992	11,992	12,712	12,712	13,475	13,475
Service Fees (Enterprise)	0	50,000	56,890	56,890	56,890	56,890	56,890	56,890	56,890	56,890	56,890	56,890
Investment income (2016@0.25%-2019+.25%.	2,071	1,760	1,494	1,125	1,471	1,706	3,866	6,532	9,439	9,359	10,233	4,691
Other	2,290	2,205	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
System Development Fees	4,200	19,000	12,000	0	0	0	0	0	0	0	0	0
Contingency Addback				47,923								
Bond proceeds	0	0	0	0	0	0	0	0	0	0	0	1,000,000
TOTAL REVENUE	147,276	215,815	222,618	283,978	245,228	245,463	258,745	261,411	276,107	276,028	289,398	1,283,856
EXPENSES												
Operations (2017@2.5%+.5%/yr max 3.5%)												
Sewer Operations	71,413	78,250	77,400	79,335	81,715	84,575	87,535	90,599	93,770	97,052	100,449	103,964
Sewer - Remedial Projects	5,495	0	10,000	10,250	10,558	10,927	11,309	11,705	12,115	12,539	12,978	13,432
Sewer - Engineering	0	5,000	5,000	0	0	0	0	0	0	0	0	0
Administrative	21,128	17,025	20,000	20,500	21,115	21,854	22,619	23,411	24,230	25,078	25,956	26,864
Legal	2,574	0	2,500	2,563	2,639	2,732	2,827	2,926	3,029	3,135	3,244	3,358
Audit	4,500	4,438	5,000	5,125	5,279	5,464	5,655	5,853	6,057	6,269	6,489	6,716
Insurance	2,825	2,607	3,000	3,075	3,167	3,278	3,393	3,512	3,634	3,762	3,893	4,030
UNCC	1,111	2,070	2,000	2,050	2,112	2,185	2,262	2,341	2,423	2,508	2,596	2,686
Supplies	174	605	500	513	528	546	565	585	606	627	649	672
Director Fees	5,800	5,700	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Payroll	7,751	7,510	8,500	8,713	8,930	9,154	9,382	9,617	9,857	10,104	10,356	10,615
County Treasurer Fees	1,837	2,012	2,123	2,648	2,781	2,781	2,947	2,947	3,124	3,124	3,312	3,312
Public Relations	2,240	1,342	2,500	2,563	2,639	2,732	2,827	2,926	3,029	3,135	3,244	3,358
Election	0	0	2,000	1,000	2,046	1,035	2,118	1,071	2,192	1,109	2,268	1,148
Other	939	880	1,425	1,461	1,504	1,557	1,612	1,658	1,706	1,755	1,806	1,858
Total Operating Expenses	127,787	127,439	147,948	145,794	151,013	154,819	161,052	165,152	171,772	176,196	183,241	188,013
Long Term Capital Outlay Expenditures (Exhibit 2)												
Sewer	0	3,700	174,025	0	0	0	0	23,242	299,490	166,408	520,284	677,950
Total Long Term Capital Expenses	0	3,700	174,025	0	0	0	0	23,242	299,490	166,408	520,284	677,950
Debt Service (Exhibit 1)												
Prinical payments	0	0	0	0	0	0	0	0	0	0	0	0
Interest payments	0	0	0	0	0	0	0	0	0	0	0	0
Total Debt Service Expenses	0											
Contingency / Tabor Emergency Reserve	0	0	47,923	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	127,787	131,139	369,896	145,794	151,013	154,819	161,052	188,393	471,262	342,605	703,524	865,963
Annual Surplus/(Deficit)	19,489	84,676	-147,278	138,185	94,215	90,644	97,693	73,017	-195,155	-66,577	-414,127	417,893
ENDING FUNDS AVAILABLE	512,760	597,436	450,158	588,343	682,557	773,201	870,894	943,911	748,756	682,179	268,052	685,945

**VALLEY SANITATION DISTRICT
TenYear Financial Plan (2016-2025)**

EXHIBIT 1 PROPERTY TAX REVENUE

	ACTUAL		ESTIMATED									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Assessed Valuation												
Taps Sold	4	19	12	0	0	0	0	0	0	0	0	0
Total Taps	2,215	2,219	2,238	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250
Assessed Value per Tap (+5% - 2016, then 6% every even year)	23,432	24,252	29,552	29,552	31,030	31,030	32,891	32,891	34,865	34,865	36,957	36,957
New Assessed Value	93,728	460,790	354,625	0	0	0	0	0	0	0	0	0
Assessed Value	51,901,630	53,815,463	66,137,586	66,492,211	69,816,822	69,816,822	74,005,831	74,005,831	78,446,181	78,446,181	83,152,952	83,152,952
General Operations												
Assessed Valuation	51,901,630	53,815,463	66,137,586	66,492,211	69,816,822	69,816,822	74,005,831	74,005,831	78,446,181	78,446,181	83,152,952	83,152,952
General Operating Mill Levy+Abatements	2.493	2.493	2.493	2.493	2.493	2.493	2.493	2.493	2.493	2.493	2.493	2.493
Temporary mill levy reduction (5.5% limitation)			-0.353									
General Operating Property Tax	129,391	134,162	141,534	165,765	174,053	174,053	184,497	184,497	195,566	195,566	207,300	207,300
Debt Service												
Assessed Value	51,901,630	53,815,463	66,137,586	66,492,211	69,816,822	69,816,822	74,005,831	74,005,831	78,446,181	78,446,181	83,152,952	83,152,952
Mill Levy	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Property tax	0	0	0	0	0	0	0	0	0	0	0	0
Total Property Tax Revenue	129,391	134,162	141,534	165,765	174,053	174,053	184,497	184,497	195,566	195,566	207,300	207,300
Total Mill Levy	2.493	2.493	2.493	2.493	2.493	2.493	2.493	2.493	2.493	2.493	2.493	2.493
Service Charge per Year												
SFE's	0	20	20	20	20	20	20	20	20	20	20	20
Total Annual Service Fee	0	56,890	56,890	56,890	56,890	56,890	56,890	56,890	56,890	56,890	56,890	56,890

**VALLEY SANITATION DISTRICT
Ten Year Financial Plan (2016-2025)**

EXHIBIT 2 CAPITAL EXPENDITURES - DISTRICT CAPITAL IMPROVEMENTS

	ACTUAL		ESTIMATED									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
SEWER												
Sewer Rehabilitation (CIPP)	0	0	174,025					23,242	299,490	166,408	520,284	677,950
Additional Capital Sewer Projects												
TOTAL SEWER	0	0	174,025	0	0	0	0	23,242	299,490	166,408	520,284	677,950
CONTINGENCY/EMERGENCY	0	0	47,923									
TOTAL CAPITAL	0	0	221,948	0	0	0	0	23,242	299,490	166,408	520,284	677,950