

Highlands Ranch WATER

2025 ADOPTED BUDGET AND RATES



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Highlands Ranch WATER

Highlands Ranch Water & Sanitation District
Board of Directors and Customers

As we embark upon another year of continued improvement and progress, we are pleased to present to you Highlands Ranch Water and Sanitation District's budget for Fiscal Year 2025. This comprehensive document serves as a testament to our commitment to transparency, accountability, and the continued success of our community.

The objective of the budget is to present the District's financial plan and operations guide to communicate to customers and the Board of Directors the short-term expenditure plan, which has been developed with a focus on the resources needed to fund long-term needs. This method supports Highlands Ranch Water's mission of providing safe, sustainable, and reliable water and wastewater services to our customers with superior quality and value.

The 2025 Adopted Budget is developed through the priorities and policies as established by the District's Board of Directors which are to:

1. Prepare a balanced budget which (a) meets all legal obligations mandated by state and local laws, (b) ensures revenues and resources for each budgeted fund will equal or exceed estimates, and (c) ensures ending fund balance for each budget category meets or exceeds targeted ending fund balances,
2. Maintain the current level of service of providing safe, sustainable, and reliable water and wastewater services to customers, and
3. Preserve all assets owned by the District.

As the cost of operations and improving our infrastructure continues to increase, we adopted a 6% average annual increase to water and wastewater rates and fees. Our water usage revenue for the upcoming fiscal year is calculated based off the 5-year average of actual water use. This approach helps us to be prepared for changes in weather conditions, conservation needs, potential drought, and any regulatory changes. Highlands Ranch Water's rates continue to be among the lowest in the area. We do not receive any tax revenue or other significant sources of revenue other than our rates for water and wastewater services. However, partnering with regional water providers and appropriately managing our financial resources against operational needs has helped offset this constraint.

Highlands Ranch Water's financial position continues to remain at a level necessary to meet the priorities and policies set forth by the Board. Additionally, the 2025 Adopted Budget does not anticipate a transfer from the Financial Assurance Fund, which continues to maintain a balance of \$18.7 million. This accomplishment supports our steadfast commitment to providing the best level of service possible to our customers.

Staff are thankful for the support of the Board of Directors as we work within our vision of setting the standard of excellence for community-based water and wastewater utility services through innovative practices in finance, operations, and resource management.

Respectfully submitted,


Sam Calkins
General Manager



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Centennial Water and Sanitation District
Colorado**

For the Fiscal Year Beginning

January 01, 2024

Christopher P. Morill

Executive Director

THE DISTRICT



HISTORY

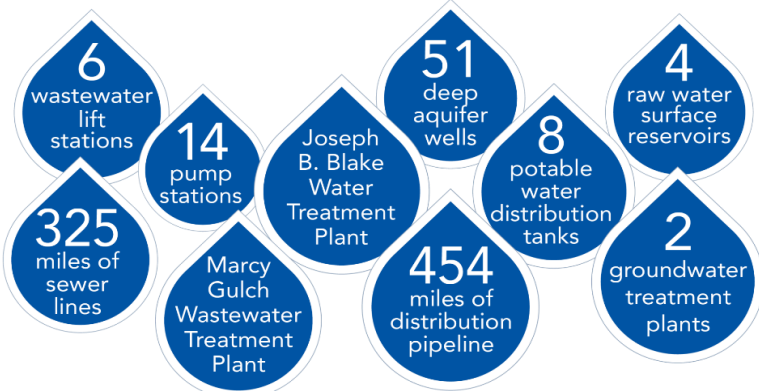
In 1980, through a vote of eligible electors, Highlands Ranch Water & Sanitation District (“Highlands Ranch Water” or “District”) was formed as a political subdivision of the State of Colorado and created as a quasi-municipal corporation to provide municipal water and wastewater services. In 2024, the Board of Directors approved changing Centennial Water & Sanitation District’s name to Highlands Ranch Water & Sanitation District which was effective beginning January 2nd, 2025.

The District is authorized to construct, own, operate, and maintain municipal water and wastewater facilities, including, but not limited to, raw water storage and conveyance facilities, water treatment facilities, water pumping and transmission lines, water storage reservoirs, water supply wells and related equipment, metering facilities, trunk wastewater lines and manholes, lift stations, wastewater treatment facilities, and to provide water and wastewater service to residential and non-residential customers.

District authority is vested in the five-member Board of Directors (the “Board”), with members being elected to serve as at-large representatives. In 2022, the Board began transitioning from a developer board to a resident board. Two resident members were elected in 2022 with the other three elected in 2023. The Board, among other things, is responsible for passing resolutions, adopting the Annual Budget and Capital Improvement Plan, appointing committees, and hiring the District’s general manager and legal counsel. Board members are elected to four-year staggered terms with either two or three Board members elected every two years.

The District currently provides municipal water and wastewater services in accordance with service agreements entered between the District and the Highlands Ranch Metropolitan District (HRMD), Mirabelle Metropolitan District (MMD), and Northern Douglas County Water and Sanitation District (NDC). The District also delivers treated water to two neighboring special districts— Castle Pines North Metropolitan District and Roxborough Water and Sanitation District—pursuant to “wheeling agreements”.

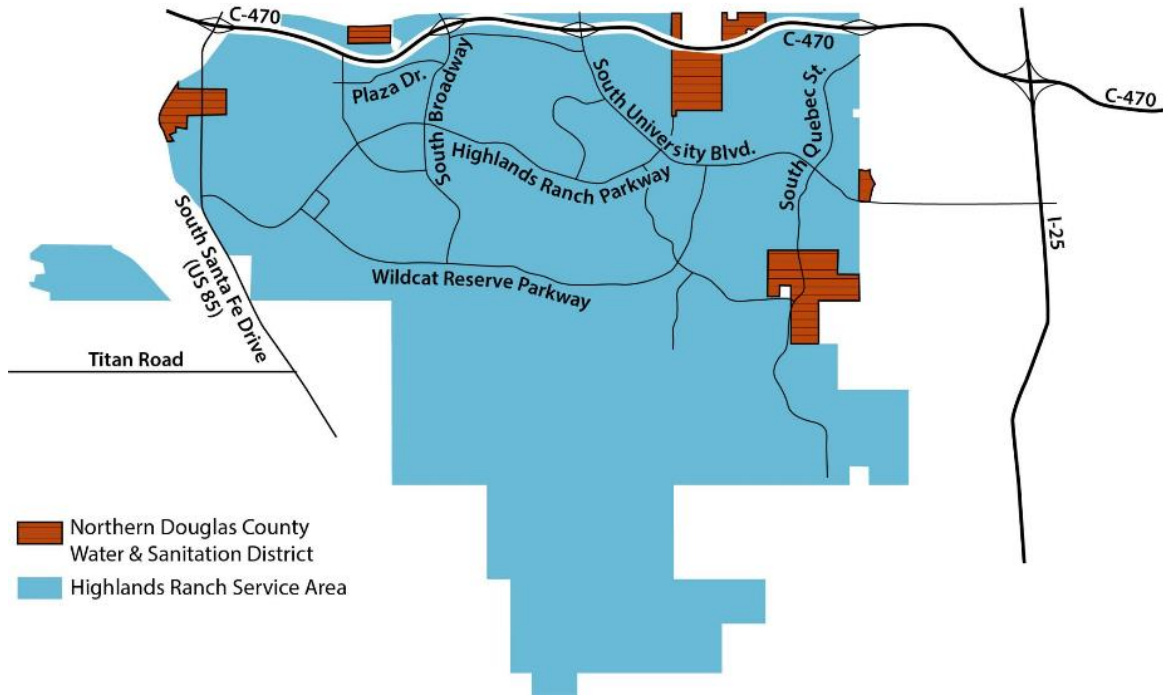
Our complex system includes the rivers, aquifers, reservoirs and canals that provide water; the plants that treat water and wastewater; the hundreds of miles of pipelines and thousands of separate pieces of infrastructure that deliver it all to our customers; and almost 100 employees who keep things running day in and day out, 24 hours a day, 365 days a year.



SERVICE AREA

The District's Service Area is located in the northwest portion of Douglas County, Colorado, approximately 12 miles south of downtown Denver. The District serves the communities of Highlands Ranch, Solstice, and Northern Douglas County.

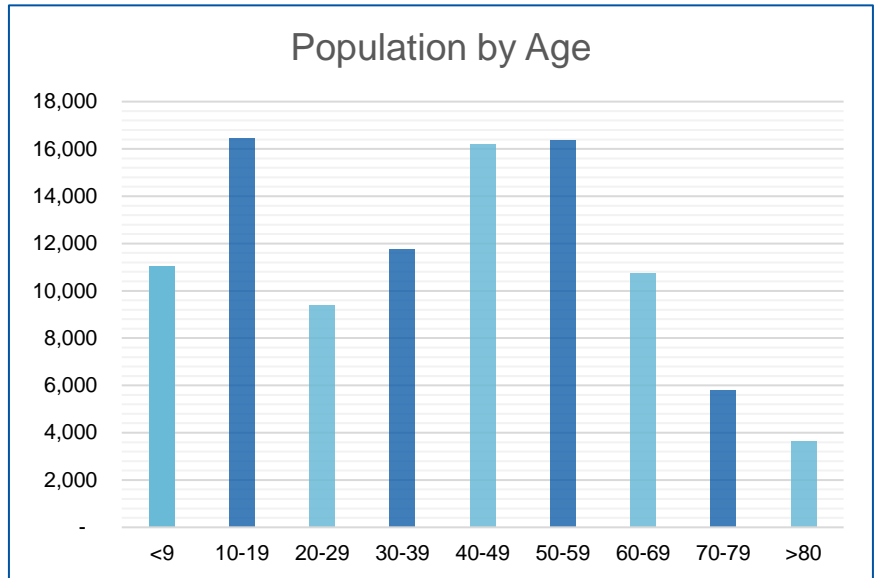
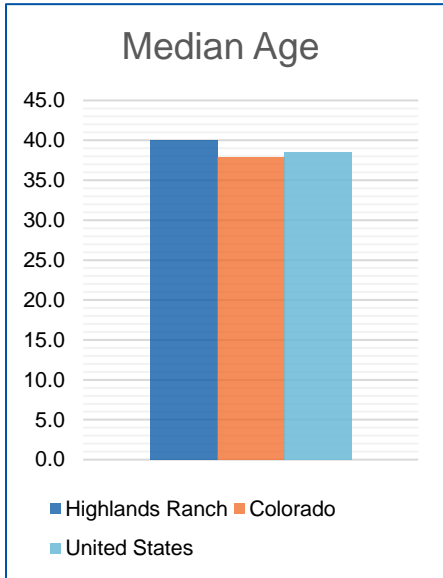
The map below shows the entirety of our service area:



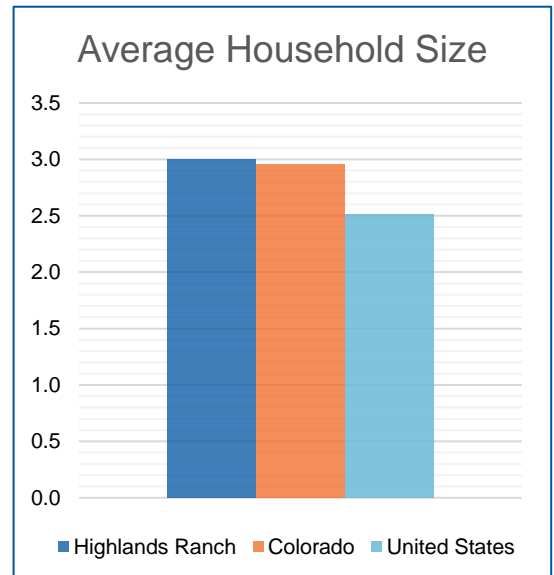
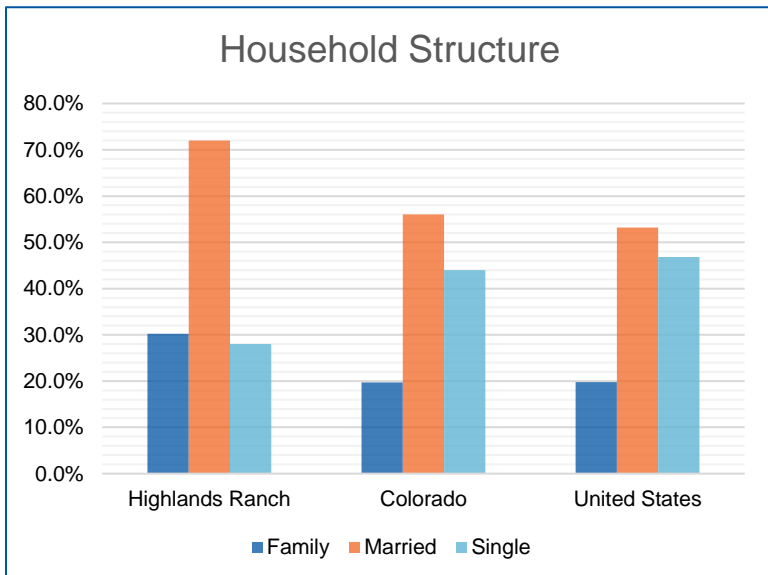
DEMOGRAPHICS

**all demographic information comes from the 2023 American Community Survey 1-Year Estimates*

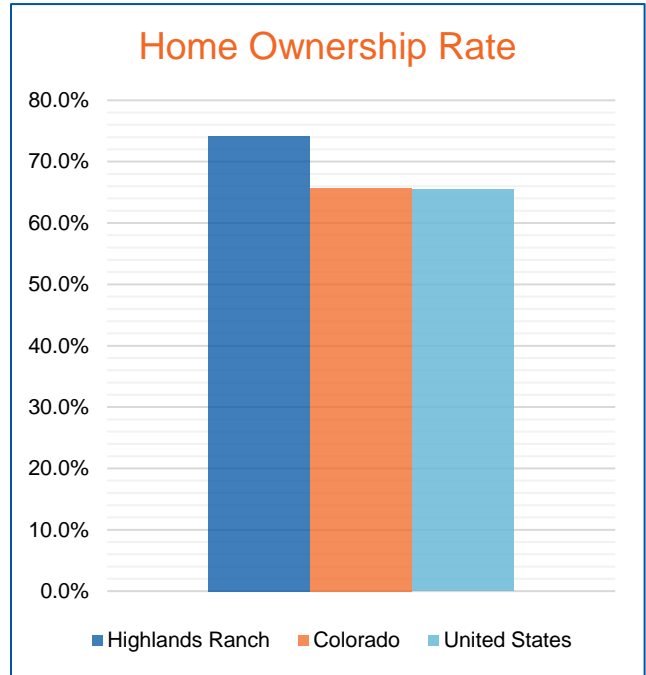
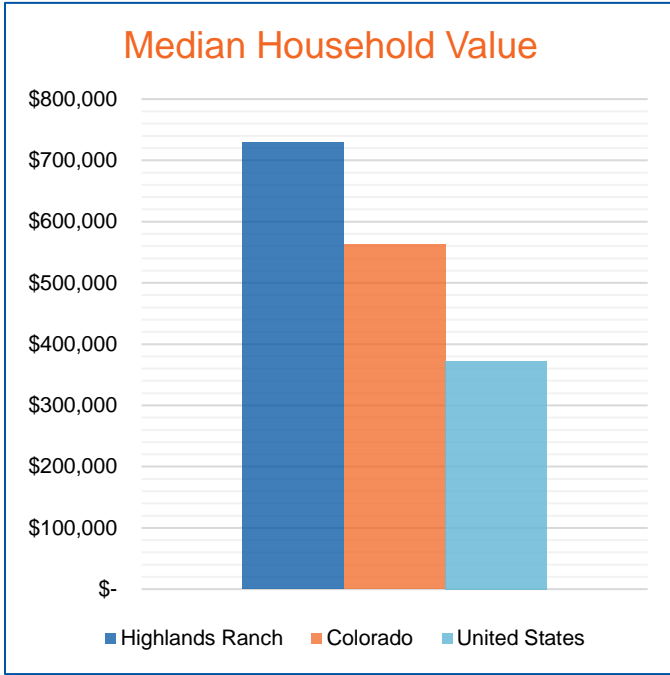
As the largest master planned community in Colorado, Highlands Ranch offers a small-town feel with all the conveniences of a modern suburb. Situated just 12 miles south of Denver, Highlands Ranch offers its citizens the benefits of the Colorado outdoors and access to the Denver Metro area’s strong job market and economy.



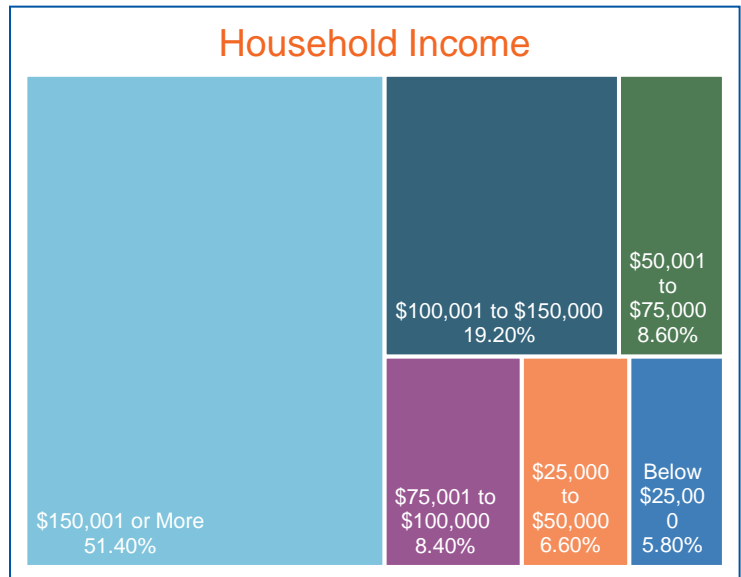
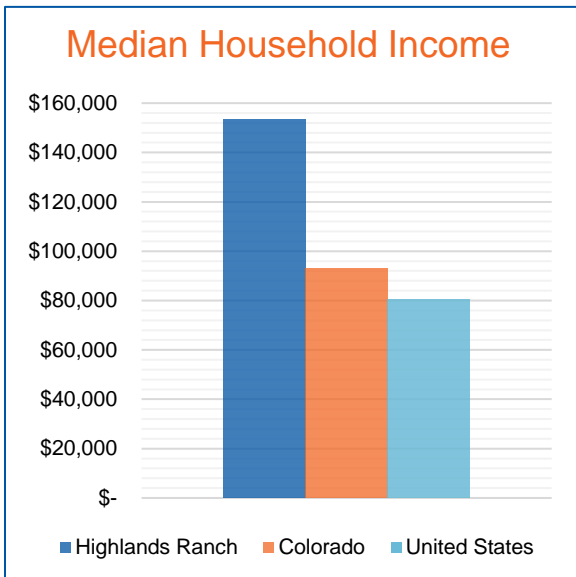
The District serves approximately 106,000 residents and 40,000 residential and non-residential customers. In considering household demographics, the District is better able to plan for and provide services effectively; not only to estimate water supply demands, but to also estimate revenues received from rates.



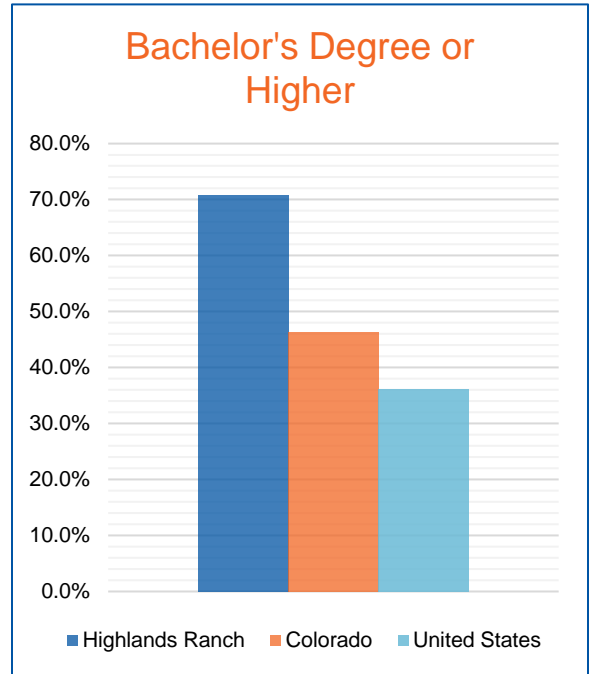
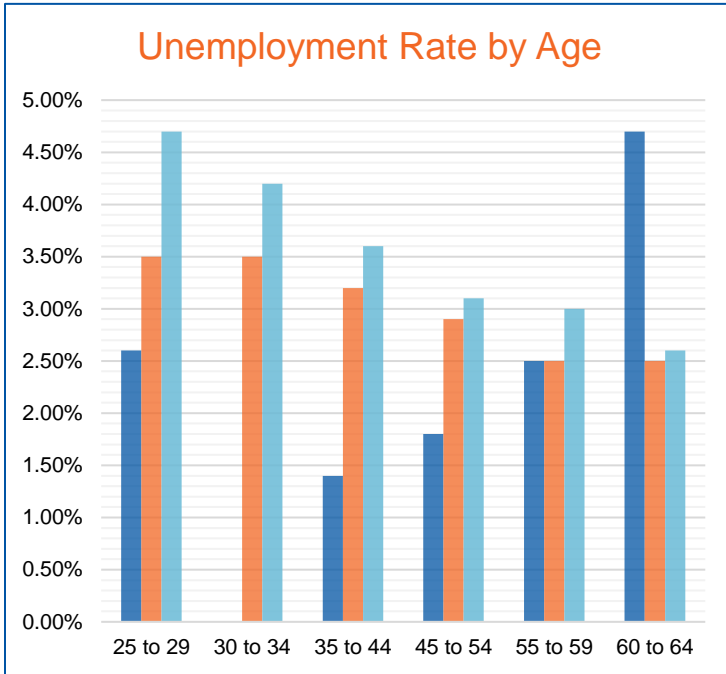
Looking at household ownership rates and household values assists the District in understanding the variability of rate collections due to housing turnover and decreases in housing values, primarily driven by economic pressures. Using this information, the District is better able to forecast revenues that aren't driven by unpredictable weather events. At the end of 2023, the vacancy rate in Highlands Ranch was less than 1%.



As over 90% of the District's funding comes from rates, household income is a key data point in evaluating our customers' financial resources when we're making the key rate change decisions.



The unemployment rate in Highlands Ranch at the end of 2023 was 4.90% compared to 3.80% in Colorado and 4.30% in the U.S. This is largely driven by over 51% of 16- to 19-year-olds who are active in the labor force with 34.10% of them unemployed. As the median age in the community is 40 years old, the District finds it more useful to look at the unemployment rate for the 25 to 64 age range which averages out to 2.17%.



BOARD OF DIRECTORS

Highlands Ranch Water is governed by a board of directors, which, pursuant to state law, consists of five members. To be eligible for nomination to the board, prospective board members must be electors of the district as defined by state law. Directors are elected to staggered four-year terms of office at successive biennial elections.



Tammy Essmeier
Chair
2022 to 2025



Terry Nolan
Vice Chair
2023 to 2027



SJ Light
Treasurer
2023 to 2027



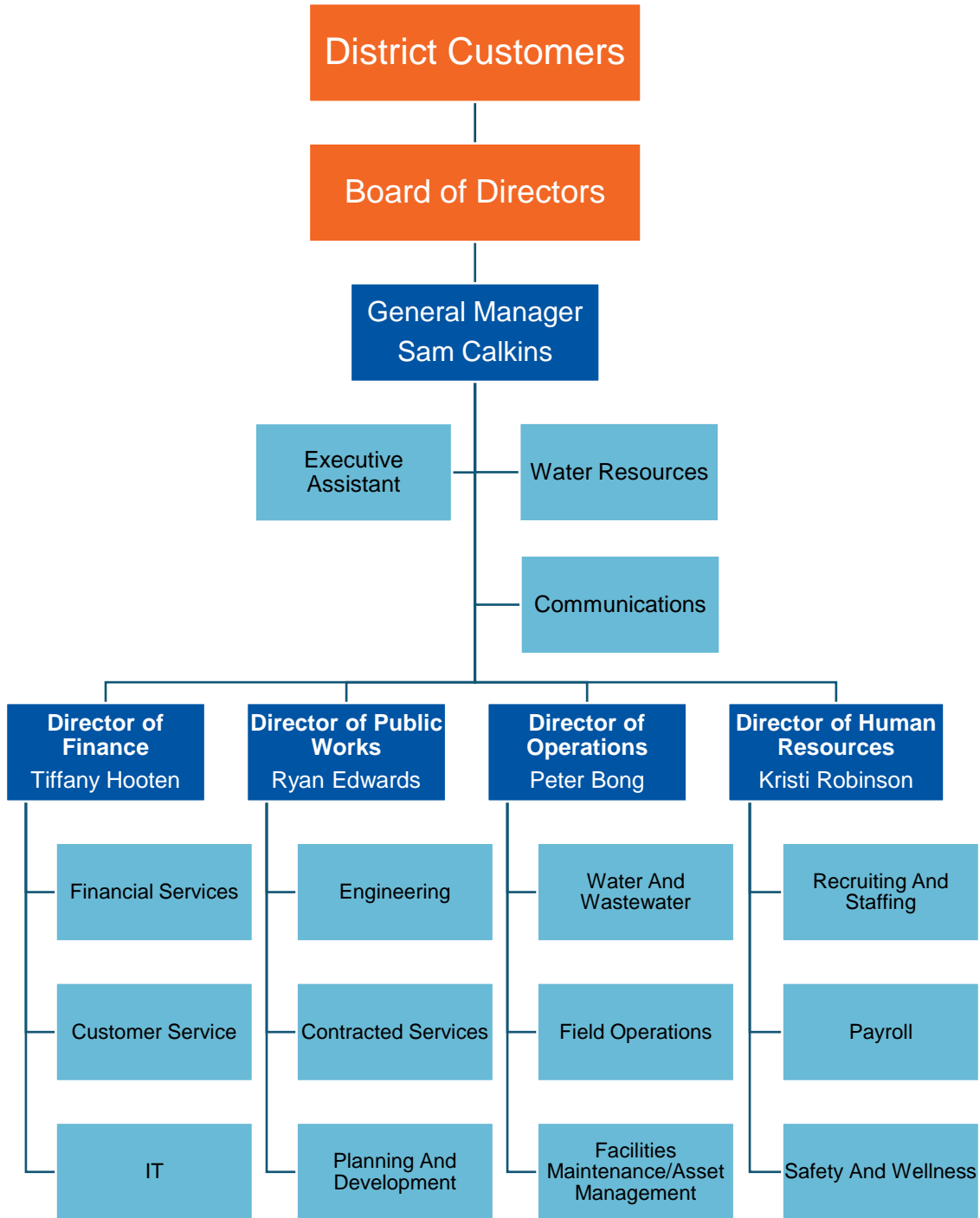
Frank McNulty
Director
2022 to 2025



Frank Johns
Director
2023 to 2027

Highlands Ranch Water board meetings begin at 6 p.m., and study sessions are held in the morning beginning at 7:30 a.m. Both meetings are held at the Hendrick Office Building, 62 Plaza Drive. The public is invited to attend. Those who wish to attend virtually may do so via the Zoom platform. The meeting link will be posted on each agenda. Please Note: If you have a disability and need auxiliary aids or services, please notify us at 303-791-0430 at least 24 hours before the meeting.

ORGANIZATIONAL CHART



GUIDING PRINCIPALS

VISION

To set the standard of excellence for community-based water and wastewater utility services through innovative practices in finance, operations, and resource management.

MISSION

To provide safe, sustainable, and reliable water and wastewater services to our customers with superior quality and value.

CORE VALUES

SAFETY

We work to ensure a safe living and working environment for our employees and our customers.

TEAMWORK

We collaborate with internal teams, customers, and regional partners to achieve our goals.

VISION

We remain forward looking and strive to provide leadership within the water and wastewater community.

EXCELLENCE IN SERVICE

We strive for excellence in all facets of our industry, including customer service, water quality and environmental stewardship.

INTEGRITY

We take pride in our work and demonstrate honest and ethical behavior. We respect the valuable resources we are entrusted with and protect them for future generations.

Our customers rely on us every day to deliver safe, clean, and reliable water and to ensure we provide efficient and environmentally compliant wastewater treatment. In turn, we rely on our customers to provide the resources we need to get that job done efficiently and responsibly.

We face many challenges, but we are prepared to meet them. Variable water supplies (from very dry to very wet years), aging infrastructure, increasingly stringent regulations, and rising costs all contribute to the complexity of providing exceptional service to our customers. We feel that our dedicated and experienced staff, along with our history of strategic planning, puts us in a strong position to take on challenges as they come.



STRATEGIC FOCUS AREAS

1. WATER SUPPLY SUSTAINABILITY

Water resources are the cornerstone of our future. Without sufficient quantities of reliable water for current and future needs, we can't accomplish our mission.

- **Integrated Water Resources Planning** – our water resources staff continually evaluates the availability of water in the district's portfolio and compares that to anticipated needs. We look for opportunities to strengthen our existing portfolio, acquire additional resources and anticipate potential changes.
- **Water Resources Projects** – the successful completion of the Chatfield Reservoir Reallocation Project allowed us to store an unprecedented quantity (almost 7,000 acre feet) of additional water in 2024. We hope to continue that success with innovative projects that will protect current resources, improve efficiency, and acquire additional resources when possible.

2. HUMAN HEALTH AND ENVIRONMENTAL STEWARDSHIP

Our primary requirements are to treat and deliver high quality water in sufficient quantity to meet our customers' needs, and to collect and treat wastewater to a standard that preserves and protects our natural environment.

- **Joe Blake Water Treatment Plant Improvements** – our 2018 water master plan recommended several projects to replace aging infrastructure and increase treatment capacity for renewable surface water. Phase 1A, completed in 2024, improved pre-treatment and boosted the plant from a capacity of 26 million gallons per day (MGD) to 30 MGD. We started construction of Phase 1B in 2024, with scheduled completion in 2026. This phase of the project is focused on improving chemical storage capacity and reliability. Finally, we are currently re-evaluating the scope of Phases 2 and 3 based on updated build-out demand forecasts and the EPA's recent PFAS drinking water regulation. We will start design for both phases in 2025 and hope to begin construction in 2026. The next phase of the project will improve reliability, ensure effective PFAS treatment, and increase treatment capacity to 35-40 MGD.
- **Marcy Gulch Wastewater Treatment Plant Improvements** – our 2016 wastewater master plan recommended several projects to replace aging infrastructure and improve the environmental quality of our wastewater effluent. Our current project, which started in 2019 and will conclude in 2025, will allow us to safely and efficiently process 8 MGD and meet stringent regulatory requirements for treatment. We anticipate that future phases will be necessary to further improve the treatment process in order to protect water resources to an even higher level.
- **Collection and Distribution System Improvements** – master planning to improve the performance and maintain the reliability of our collection and distribution system will get underway in 2025. We will begin by creating a wastewater collection master plan that will guide future system improvements and continue our pipeline replacement projects.

3. FINANCIAL STABILITY

Financial strength is a non-negotiable element of our success, and we are continuously working to ensure we have the resources available to uphold our commitment to provide the best possible – and completely reliable – water services to our customers for the next 40 years and beyond. We owe our customers great service at a fair price, but we can't afford to make shortsighted decisions in the near term that will leave excessive burdens for our future customers.

- **Capital Improvement Planning** – as capital projects have a substantial impact on overall quality of our services but also the financial resources of the District, our capital improvement plan looks at major requirements for the next 10 years and prioritizes projects to maintain operations, regulatory requirements, and safety.
- **Customer Billing Software** – we are in the process of implementing a new and improved customer billing software system that will go live in 2025. This will be the first major upgrade to this system in a decade and will provide a more interactive and informative experience for our customers. We hope to use the new system to improve communication and education for all our stakeholders.

4. EMPLOYEE ENGAGEMENT

Our team is the key to our success. We focus on recruiting the right people, training them to perform their jobs successfully, and creating a positive culture that shows them we're committed to them, so they commit to us.

- **Employee Advisory Committee** – in 2023, we improved and empowered our Employee Advisory Committee to facilitate communication and provide a venue for constructive suggestions and dialogue. The committee is composed of front-line staff who understand the challenges of day-to-day work and can communicate those to senior management with the goal of improving the culture of the entire organization.
- **Continuous Learning** – we are committed to challenging our staff and providing them opportunities to grow as professionals, leaders, and people. Staff have the resources and opportunities to learn and advance through their careers by achieving a variety of qualifications that facilitate their career growth. They attend regional conferences on subjects including operations, regulations, community outreach, water conservation, and water utility best practices, among many others.

5. STAKEHOLDER PARTNERSHIP

We are stronger when we create trusting relationships with our customers and other stakeholders. Highlands Ranch Water strives to be a leader in the communities we serve and in Colorado's larger water community.

- **Communications Planning** – we started to focus more on community relations with our first full time digital communications specialist in 2024. As we grow our capabilities, we have had success in increased outreach – through an improved website, stories in local news, enhanced communication through email and social media, and an increasing number of community events.
- **Citizens Engagement Committee** – our third class of volunteers to serve on our Citizens Engagement Committee will be selected in 2025. We envision this committee as a group of interested and engaged citizens who can learn more about our services, provide feedback from a community perspective, and be ambassadors to our larger customer base.

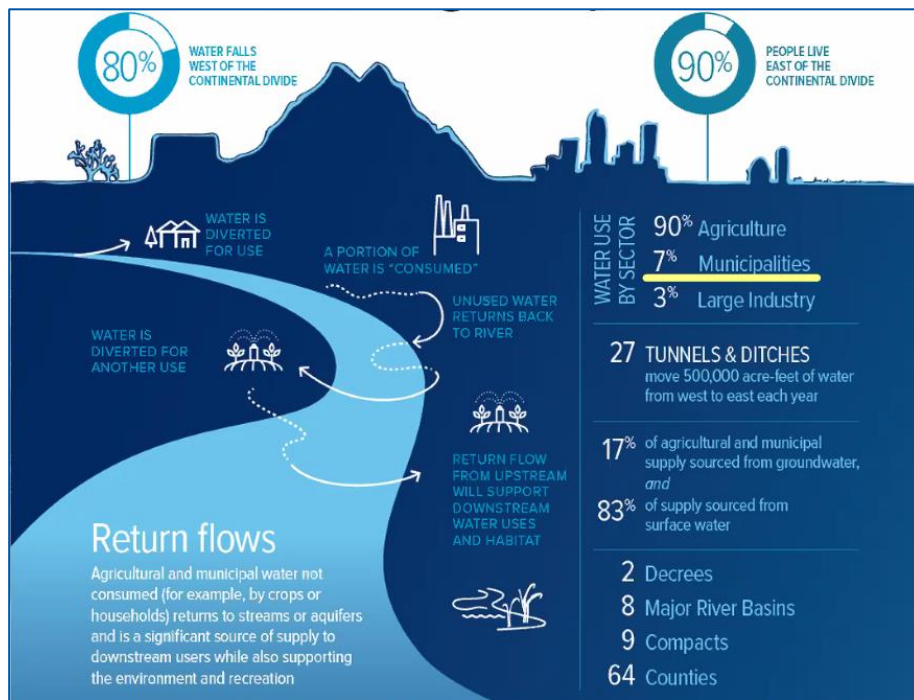
- **Board of Directors Elections** – we will hold elections for two board seats in May 2025. Staff have already started preparing for the election. The window for self-nominations opened in January 2025.
- **Regional Partnerships** – our staff and board serve on a wide variety of water industry groups and engage on topics as varied as water supply, best practices in operations, community outreach, water conservation, and shaping the regulatory environment.

PROTECTING OUR WATER SUPPLY

OVERVIEW

Water conservation and efficiency have been a key focus of the District’s demand management plan since its inception in 1980. The District operates a conjunctive use water supply system that enables the use of surface water and/or groundwater sources to reliably provide water to our customers.

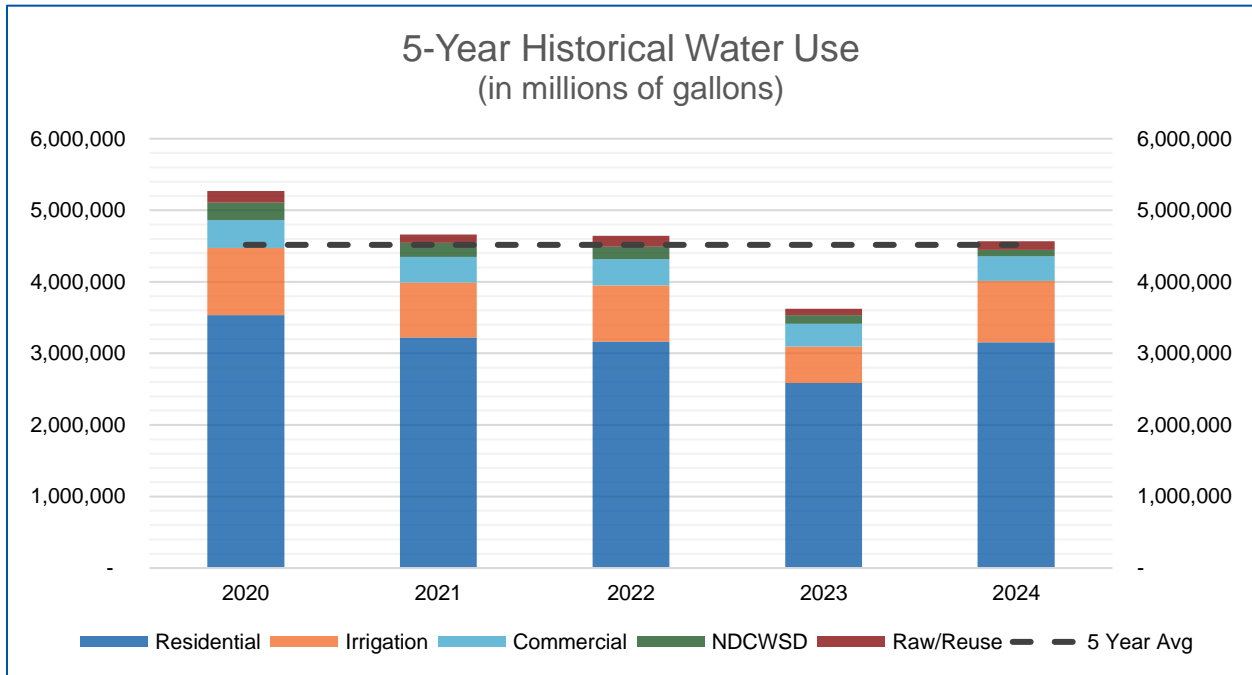
The graphic below gives an overview of how water is used in Colorado:



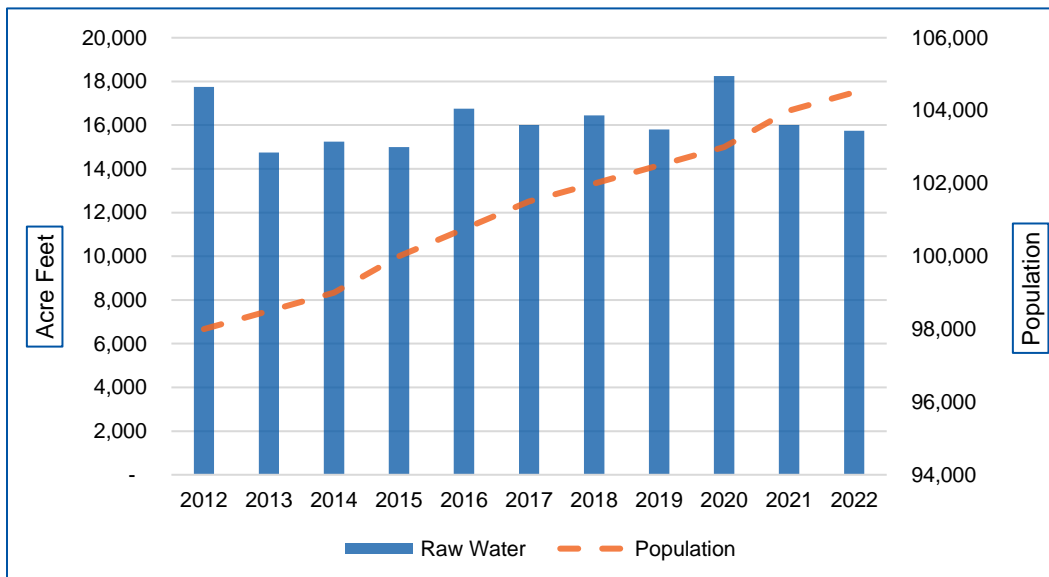
DISTRICT CUSTOMERS' USE OF WATER

The District’s water-supply portfolio is comprised of renewable surface water from the South Platte River, including tributary alluvial groundwater, and non-tributary Denver Basin groundwater. The water supply for Highlands Ranch is predominantly renewable surface water from the South Platte River Basin. As needed, the surface water supply is supplemented with nonrenewable, reusable deep groundwater from three Denver Basin aquifers beneath Highlands Ranch. Over the past 30 plus years, surface water has comprised an average of 85 percent of the District’s water supply.

Single-family residences are the largest customer group that the District serves, accounting for over half of the water demand in Highlands Ranch, as shown in the graph below:



To encourage water conservation, in 2002 Highlands Ranch Water implemented an innovative water budgeting concept for water customers. The water budget for outdoor irrigation provides enough water for healthy landscapes, but not so much that our resource is wasted. This structure has helped slow demand increases to a rate less than that of the population growth, as shown in the graph below.



The District has been adept at striking a balance to secure the future of Highlands Ranch, environmentally and fiscally and District leaders are active on several regional and state committees to identify water supply projects that will benefit the community now and into the future. The next four pages provide educational materials and resources for customers to better manage their outdoor and indoor watering.

CONSERVATION TIPS

Inspect your irrigation system. Check for leaks, overspray, crooked sprinkler heads and uneven pressure. Adjust your sprinklers so they're watering your lawn and garden, and not the street or sidewalk.

ColoradoScape your yard. Plant a stunning, sustainable low-water landscape. With a vibrant palette of plants and succulents to choose from, create a visually appealing and colorful environment.

Upgrade to a smart controller. Smart controllers are connected to the internet and adjust irrigation schedules based on the temperature, precipitation and other weather factors. Take control of your irrigation system to help you reduce water usage and save money along the way.

Don't set it and forget it. The water needs for your landscape change with the weather. Oftentimes this means adjusting the frequency and run-times on a weekly basis.

Cycle and soak. The most efficient way to water your lawn is cycle and soak. Water in multiple, short cycles. This allows water to soak into the soil before it runs off into streets or sidewalks.



OUTDOOR WATER BUDGET

Every customer has a unique water budget – a method of computing your bi-monthly water bill based on indoor and outdoor water use.

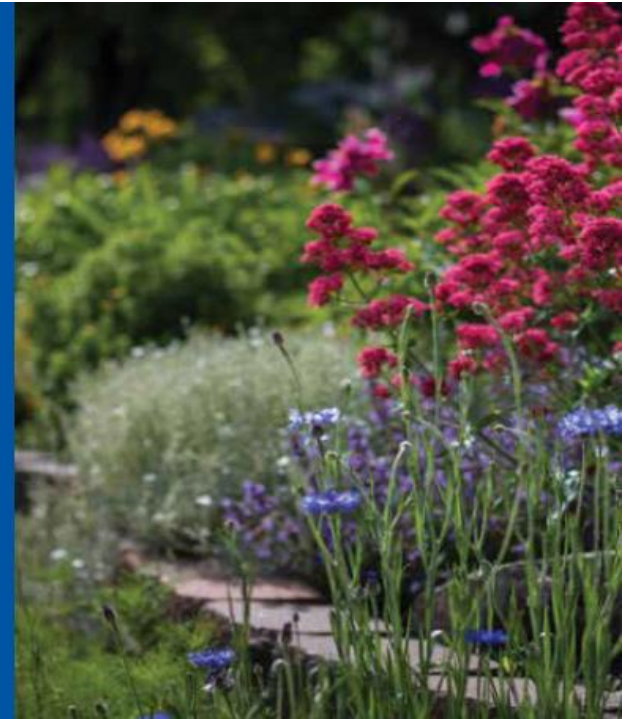
The water budget rate system includes progressively higher tiered water rates for customers who exceed their allotted budget to encourage conservation. However, customers will only be billed for water consumed, regardless of their water budget amount. If you stay under your water budget, you will always be charged at the lowest rate.

REBATES

Get rewarded for being water smart. Highlands Ranch Water offers rebate and incentive programs to help customers become more efficient with their outdoor irrigation practices. Consider swapping out your old-fashioned fixed spray nozzles with more efficient rotary nozzles. Or take a deep dive into the soil in your landscape and apply for a soil test rebate. Results can diagnosis plant problems and help you prescribe the right fertilizers and nutrients for the health of your yard and the environment. Various rebates cater to customers' landscape requirements and financial considerations.

- Turf Replacement
- Rain Sensor Rebate
- High-efficiency Nozzle Retrofit
- Smart Controller Rebate
- Drip Irrigation Conversion Rebate
- Soil Test Rebate

To learn more about rebate and incentive programs, go to highlandsranchwater.org.



INCENTIVE PROGRAMS

Garden In A Box – Make planning a step easier, purchase a low-water, professionally designed, do-it-yourself garden kit. Gardens are on sale each spring through Resource Central. Get on the interest list to reserve your garden by visiting resourcecentral.org.

Slow the Flow – Get help from a sprinkler pro to evaluate the efficiency of your irrigation system. A Slow the Flow sprinkler evaluation will reveal the efficiency of your irrigation system and you will be provided suggestions to improve it.

All photos courtesy of Resource Central.

OUTDOOR WATERING RULES

The following mandatory measures are designed to reduce inefficient use of our water resources. Additional rules may be enforced during drought conditions.

- Beginning May 1 and ending September 30, no outdoor irrigation is allowed from 10 a.m. until 6 p.m.
- During normal conditions, it is recommended you limit watering to three days per week.
- Hand watering trees and shrubs is allowed any time if a hose with a shut-off device is held, or a watering can is used. Irrigation using water conserving methods such as drip irrigation or a deep root watering device is also allowed.
- During normal conditions, washing cars is also allowed any time. However, a hose end shut off device must be used.
- Wasteful water practices are prohibited. This includes allowing excess water to flow into street gutters, and neglecting to repair leaks. Water conservation measures may be adjusted if necessary.

FAQS

How often should I water?

Two days of watering per week is enough. Efficient watering aids in the development of deep root systems for your grass, boosting its resilience to drought.

What time of day should I water?

Early morning or late evening when evaporation is less likely to occur and temperatures are cooler.

When should I mow and does the height matter?

Mow when your grass is dry, and opt for a taller height. Taller grass retains moisture better and promotes deeper root development, enhancing its drought resistance.

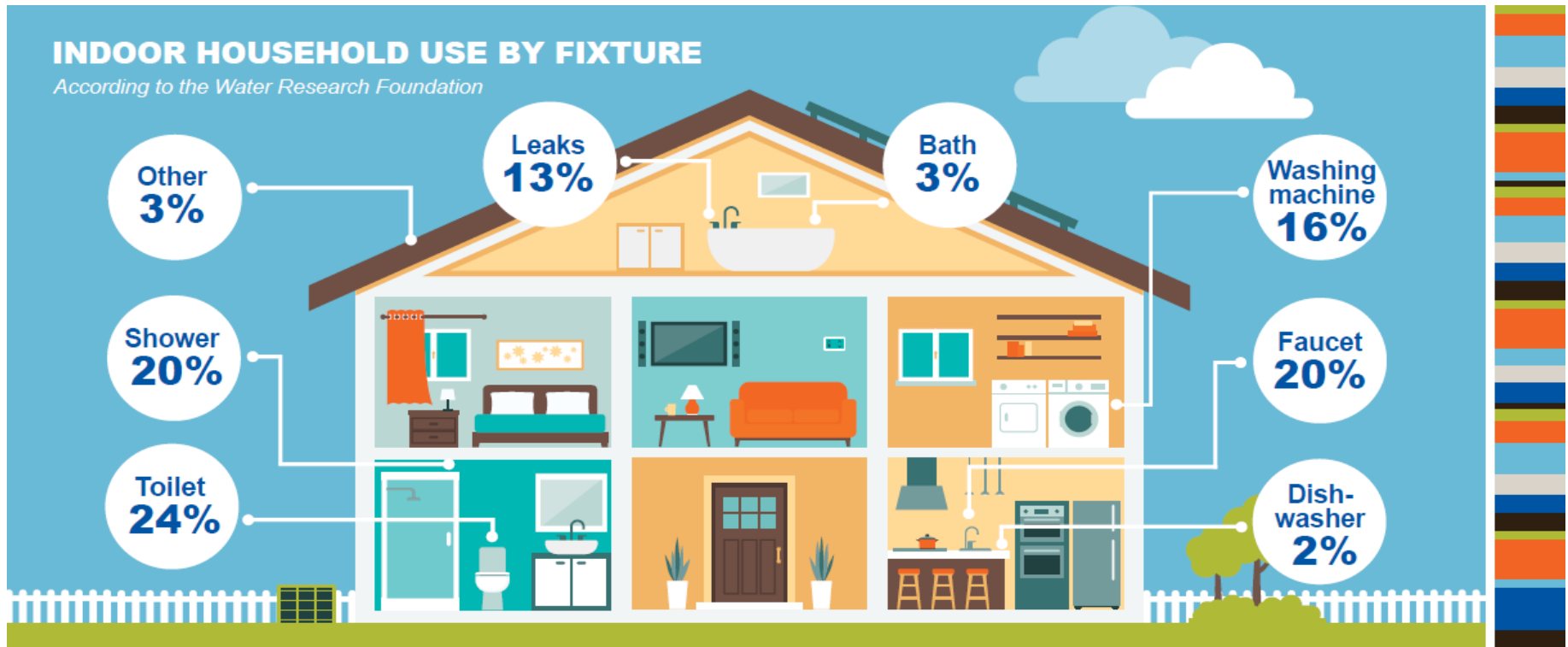
What should I know about fertilizing?

Always choose phosphorous-free fertilizer to keep lawns green and waters blue. Check the fertilizer bag when you purchase it and make sure it is phosphorous-free. To learn what nutrients your lawn needs, check out our soil test rebate.



CONSERVING WATER OUTDOORS

Conservation is a commitment. Half of the water supply for Highlands Ranch and Solstice is used for outdoor irrigation. Colorado is an amazing place to live, but its water supplies are limited. By reducing the amount of water we use outdoors, we can help ensure the long-term sustainability of our water supply while protecting our quality of life today and in the future.



INDOOR CONSERVATION TIPS

No one knows your water usage like you do. Inventory your water use habits around the home and identify ways you can save.



Limit showers to five minutes. Every minute you can cut off your shower time can save two gallons of water.



Install a high-efficiency shower head. This simple step can save you 2,900 gallons of water annually.



Check toilets for leaks. Place 10 drops of food coloring in the toilet tank. Do not flush. If any color shows up in the bowl after 10 minutes, you have a leak. Toilet dye tabs are available at our main office.



Get a WaterSense toilet. Older toilets use five to seven gallons of water per flush. The standard in Colorado is 1.28 gallons per flush for new homes.



Take a shower instead of a bath. Taking a shower uses about one-third of the amount of water compared to a bath.



Save water in the kitchen and laundry room. Run only full loads in the dishwasher and washing machine. Dishwashers use about 12 gallons of water per load and washing machines use 40 or more gallons of water each cycle.

METER CHECK

Your water meter is the key tool to help you learn how much water you use. High water usage may be caused by leaks, broken pipes, plumbing fixtures, consumption habits, appliance problems or valve failure.

WHERE IS MY METER LOCATED?

Your water meter is located in your basement or garage. A few water meters are located in a meter pit in the front yard.

HOW OFTEN SHOULD I READ MY METER?

The frequency of when you read your meter is up to you, the key is to keep it consistent. Make sure you read your meter the same time of day, and the same day of the week each time.

HOW DO I READ IT?

1. Record the number displayed on your meter, reading left to right.
2. Record the date and time you read your water meter.
3. After you take a second reading, subtract the first reading from the second reading. This will give you the total water usage to the nearest ten gallons over the period between the readings.
4. Once you've recorded a few weeks of water usage, you can identify if your water use changes and you can evaluate what you are doing differently that may be the cause of the change.

HOW TO CHECK FOR LEAKS

A leak detector is located on your water meter. Checking for leaks should only be performed when there is no water in use inside and outside your home. If you have an E-series meter, a faucet icon with a water drop will appear on the display indicating you have a leak. If you have a Badger meter, the red sundial on the display will be spinning if you have a leak.

INDOOR WATER CONSERVATION

Conservation is a commitment. Finding ways to cut back on indoor water use helps ensure water security for the long-term. Indoor water use often gets overlooked when talking about conservation. Half of what a customer uses annually is from their indoor use.



BUDGET SUMMARY



BUDGET PROCESS

The District uses short and long-term planning when developing the annual budget to analyze the impacts against future years' operational, capital and major repair, and water acquisition needs. This process is vital to the creation of the budget so the District may ensure that it is balancing its resources wisely to continue to provide the services and facilities as expected by our customers.

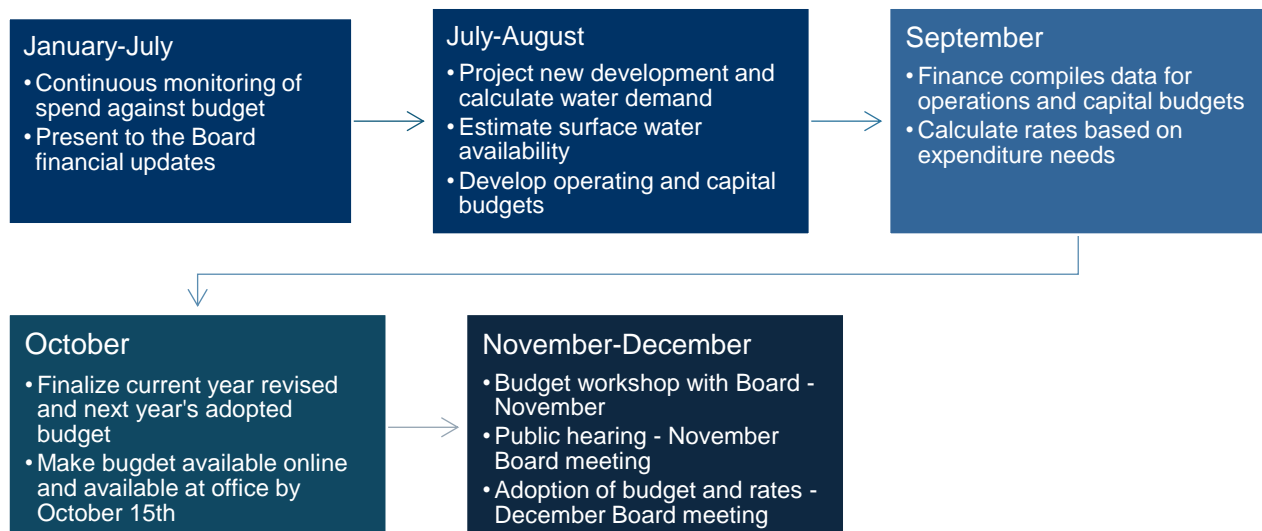
Each July, managers perform a comprehensive review of their mid-year budget versus actual spending and, through a process of budget revision, reassess requirements and resources for the rest of the year. During the revision process, managers can move money from accounts that are underspent into those that might require additional resources, but unless major unforeseen circumstances have occurred, their direction is to work within the means provided in the adopted budget.

In August, managers look at both operational requirements for the next year and capital requirements for the next 10 years. This is the process of departmental budget preparation. When the departments' proposed budgets are complete, the Finance Department brings the data into the long-range forecast to decide if the proposed budgets are absorbable against budgeted revenues and future needs.

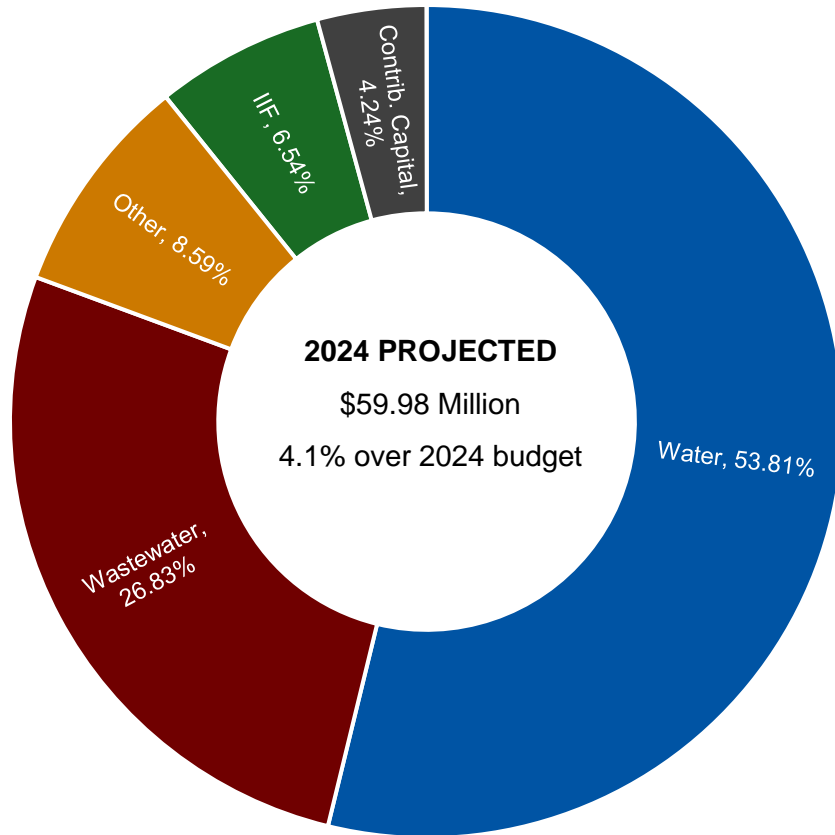
While the process is collaborative throughout, the finance team is charged with comparing requirements and resources and prioritizing projects when not all requirements are achievable. The Finance Department compiles the current year's revised budget and the next year's proposed budget and publishes them for public review on October 15. The public hearing occurs during the regularly scheduled board meeting in November.

In early November, staff hold a budget workshop with the Board so they may ask questions and provide direction. After this, staff refine calculations to finalize the budget and next year's rates which are approved in December and go into effect on January 1.

In summary, our board and staff engage in a year-long process that is detailed, focused, and transparent so we may continue to provide excellent service at reasonable rates, year after year. Oversight is provided by our Board and the public, which results in a financially strong district that accomplishes its vision and mission in a responsible way.

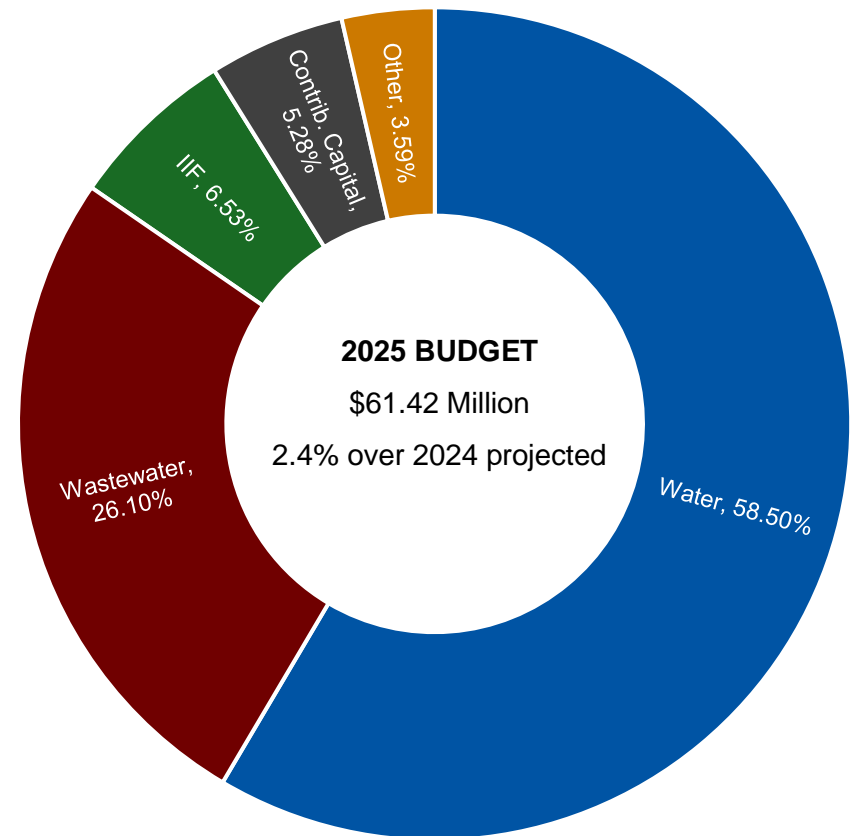


BUDGET-IN-BRIEF - REVENUE

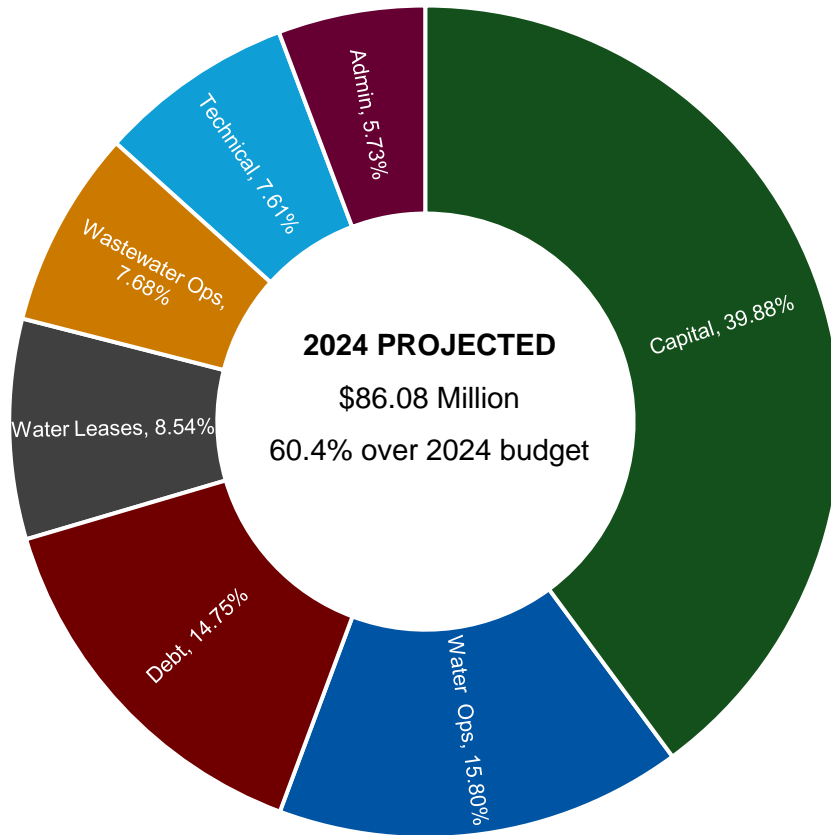


In 2024, the District also received \$78.88 million in revenue bond proceeds for capital improvements to the Joseph B. Blake Water Treatment Plant.

An average annual increase of 6% in water and wastewater rates has been adopted for 2025.

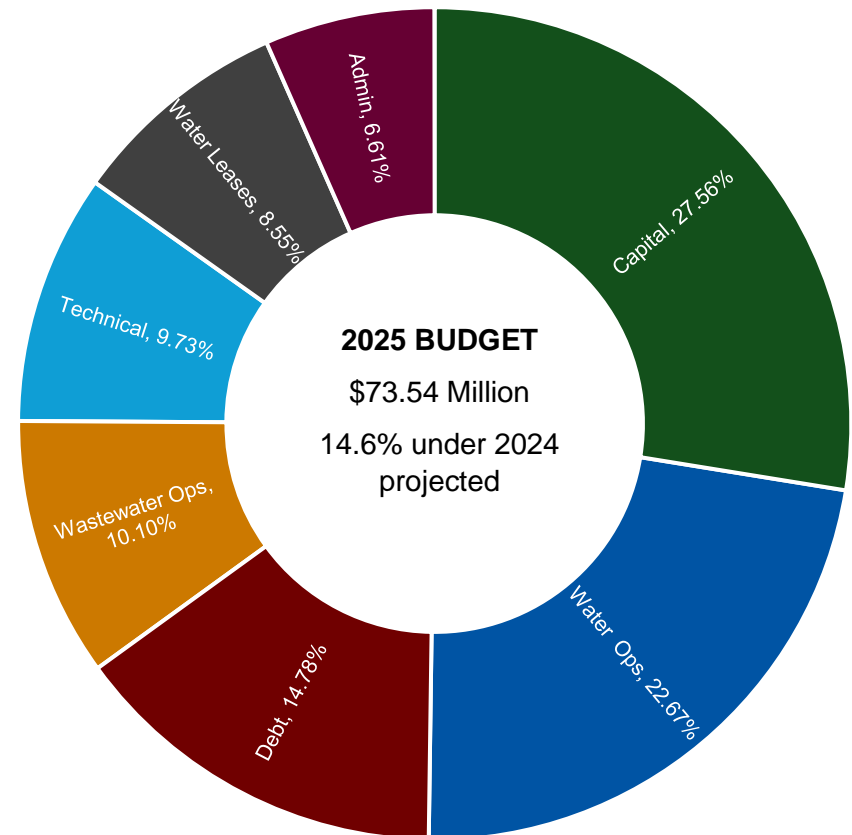


BUDGET-IN-BRIEF - EXPENSES



The large increase from 2024 projected over 2024 budget relates to timing of capital improvement projects at the Joseph B. Blake Water Treatment Plant.

While the District is seeing a significant increase in operations costs, capital spending will be less in 2025 than 2024.



CHANGES FROM PROPOSED BUDGET

Estimates for the proposed budget are based off data through September 30th, 2024 along with known events that were anticipated to occur before the end of the year. These figures have been updated through November 30th, 2024.

The table below shows the changes in revenues from the 2025 proposed budget to the 2025 adopted budget:

Revenue Source	Proposed Budget	Adopted Budget	Variance
Water Utilization	\$ 34,645,105	\$ 35,929,435	\$ 1,284,330
Wastewater Treatment	16,940,110	16,028,040	(912,070)
Infrastructure Improvement Fee	4,181,000	4,012,560	(168,440)
Net Investment Income	951,000	864,105	(86,895)
Total	\$ 56,717,215	\$ 56,834,140	\$ 116,925

The changes can be described as follows:

- Water utilization increased due to adjusting the proposed 6% increase to 11%
- Wastewater treatment decreased due to adjusting the fixed fee from 6% to 0% and reducing the usage fee from 6% to 5%
- Infrastructure Improvement Fee decreased due to adjustments in projected 2025 development
- Net investment income decreased after analyzing forward looking economic conditions

The table below shows the changes in expenses from the 2025 proposed budget to the 2025 adopted budget:

Expense Type	Proposed Budget	Adopted Budget	Variance
Audit Services	\$ 78,000	\$ 50,000	\$ (28,000)
Repair Supplies	2,273,900	2,148,900	(125,000)
Repair Services	1,585,500	1,597,500	12,000
Total	\$ 3,937,400	\$ 3,796,400	\$ (141,000)

The changes can be described as follows:

- Audit services were reduced as a result of receiving an updated cost estimate from our independent auditing firm
- Repair supplies decreased after re-evaluation of anticipated repair needs
- Repair services increased after a revaluation of outside repair service needs

BUDGET PRIORITIES

The primary factors that guided the creation of the 2025 budget include:

- Budgeting expenditures which align with the District's Vision and Mission under the conditions of rate collection variability and economic pressures such as inflation
- Funding major repair projects through on-going revenues and existing fund balance
- Managing the allocation of resources to provide staff with up-to-date resources needed for effective operations
- Retaining employees through an average annual wage increase that accounts for inflation and is competitive within the market

These priorities are unchanged from 2024 as they have been identified as the on-going, principal components to the successful delivery of services.

MANAGING CHALLENGES

WATER SUPPLY

Water is a precious resource in the arid west, and water supply management is a vital component of the operations of the District and a significant driver in the development of the budget. The District projects annual customer demand using a five-year rolling average of production plus the impact of anticipated new development. An estimate for available surface water is developed based on projected snowpack, reservoir storage levels, existing lease agreements and anticipated spot sales.

Short and long-term planning for demand is impacted by the costs of acquisition, storage, and availability. While the District has ample groundwater to support the community's indoor water demand, over the past 38 years the District has utilized renewable surface water to protect the finite supply of aquifer water. Since 1982, surface water has accounted for 85 percent of the District's water supply.

The District holds short and long-term surface water leases in its portfolio to provide water to the community in a cost-effective manner. The 2025 budget assumes total water demand of 15,470 supplied by 12,660 of surface water, 2,000 from groundwater, and 810 from WISE.

The District offers several efficiency rebates and incentives, including turf replacement, irrigation equipment retrofits, and partnerships with fellow conservation minded organizations.

Our commitment to the community remains the life blood of the District's conservation program. The District has been adept at striking a balance to secure the future of Highlands Ranch, environmentally and fiscally.

REGULATORY

Federal and state regulations can have significant impact on District operations. In recent years, pressure has been placed on elected bodies to amend how water is treated and delivered. As these topics are evolving, it is uncertain what the financial impact of any legislative action will be. There are some emerging requirements that are relatively easy to plan for but still costly to implement. The

District will continue to be diligent in balancing the use of financial resources necessary to address current infrastructure needs while at the same time managing funds so that financial resources are available for unanticipated or unforeseen costs. Compliance with current regulations include, but are not limited to, the following:

- Managing an industrial pretreatment program where annual inspections at commercial facilities in our service area are conducted and documented. This program regulates and prevents hazardous chemicals or waste from being discharged into the sewer system or passing through the wastewater treatment plant without remediation.
- As part of national homeland security efforts, Highlands Ranch Water has developed an Emergency Response Plan to document procedures that will be taken to protect our customer's water sources and distribution system from accidental or intentional contamination. State of the art monitoring equipment provides information to ensure that the facilities are safe and secure.
- Maintaining a backup system to provide drinking water to customers in the event of accidental or intentional contamination.
- Overseeing the Oil Spill Prevention Control and Counter-Measure Plan for all facilities, providing guidelines and procedures to control and contain fuel or oil spills from storage or treatment facilities.

CAPITAL PROJECT FUNDING

The District has the responsibility of safeguarding the community's water resources and the quality of that water. The largest cost component of the 10-year Capital Improvement Plan (see pages 73-82) is related to necessary upgrades to the Joseph. B. Blake Water Treatment Plant which are designed to meet maximum demand. Staff and the Board are committed to responsibly fund these necessary upgrades in a fiscally prudent manner, making funds available while ensuring the reliable continuity of District operations. As such, in 2024 the District issued \$70 million in revenue bonds to assist in funding a portion of the JBWTP improvements. As the District currently holds a AAA rating from S&P and a AAA rating from Fitch, the bond terms are very favorable and allowed the District to "spread out" the cost of these upgrades over 30 years through debt payments versus dramatic increases in rates.

In 2023, staff evaluated current and projected financial resources available to support the entirety of the 10-year Capital Improvement Plan. As a response, the Board implemented a \$7.50 (per ¾-inch tap equivalent, per month) "Infrastructure Improvement Fee" which will be used solely for capital and major repair project funding. This fee is projected to generate approximately \$4 million in 2025.

Capital project foresight of the overall system is paramount to District operations. Therefore, the District closely scrutinizes the CIP against the known availability of financial resources and identifies areas where further financial support may be required.

TECHNOLOGY

Technology changes continue to impact almost every aspect of operations. The District began implementation of Advanced Metering Infrastructure (AMI) in 2020. AMI completely automates the water meter data collection process, which can benefit the district by providing enhanced information for identification of leaks in the system which negatively impact water supply and on demand data for customers to use in their water budget decision making.

CHANGES IN SERVICE LEVELS AND FEES

The District’s service area is nearing build-out, however the Solstice community located near Chatfield Reservoir increased the number of single-family equivalents served by 98, two multi-family developments increased it by 229, and two commercial properties increased it by 8. At the end of 2024, the District was serving 46,829 single-family equivalents.

The District’s Board adopted a 6% average increase in water and wastewater rates for 2025. See Appendix 7 for the full schedule of rates.

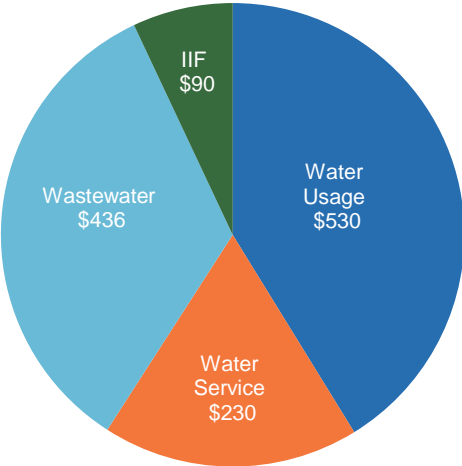
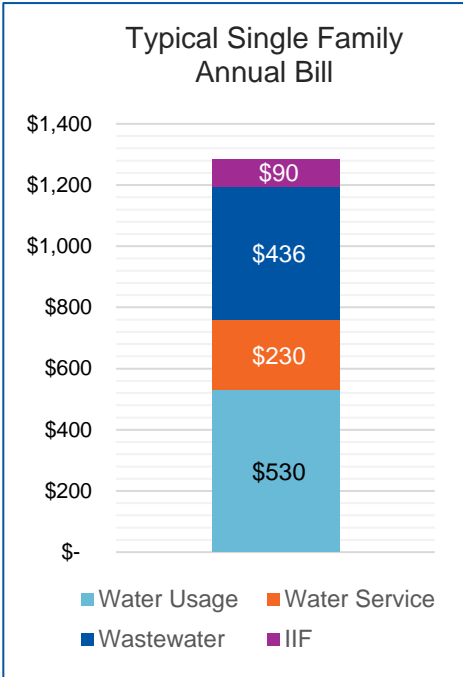
Metered Water	2024 Rate	2025 Rate	% Change
Residential	\$ 4.79	\$ 5.32	11%
Non-residential & Multi-Family			
Indoor	\$ 4.43	\$ 4.61	4%
Irrigation	\$ 4.90	\$ 5.44	11%

Water Service Availability	2024 Rate	2025 Rate	% Change
Residential	\$ 18.25	\$ 19.17	5%
Multi-Family	\$ 11.32	\$ 11.88	5%
Non-Residential	\$ 18.25	\$ 19.17	5%

Wastewater Fixed	2024 Rate	2025 Rate	% Change
Residential	\$ 14.96	\$ 14.96	0%
Multi-Family	\$ 14.96	\$ 14.96	0%
Non-Residential	\$ 14.96	\$ 14.96	0%

Wastewater Usage	2024 Rate	2025 Rate	% Change
Residential	\$ 4.52	\$ 4.75	5%
Multi-Family	\$ 4.52	\$ 4.75	5%
Non-Residential	\$ 4.52	\$ 4.75	5%

Infrastructure Improvement (per 3/4" equivalent)	2024 Rate	2025 Rate	% Change
Residential	\$ 7.50	\$ 7.50	0%
Multi-Family	\$ 7.50	\$ 7.50	0%
Non-Residential	\$ 7.50	\$ 7.50	0%



FUNDING SOURCES




SUMMARY

The District has four primary sources of funding:

1. Water rates
2. Wastewater rates
3. Infrastructure Improvement Fee
4. Contributed capital


Other sources of funding include intergovernmental agreements, investment income, other operating revenue, and non-operating revenues.

The figure below reflects the type of expenditure and the funding source that supports the expenditure:



Operations

- Water and Wastewater Rates
- Other water related charges
- Intergovernmental agreements
- Non-operating revenue
- Investment income



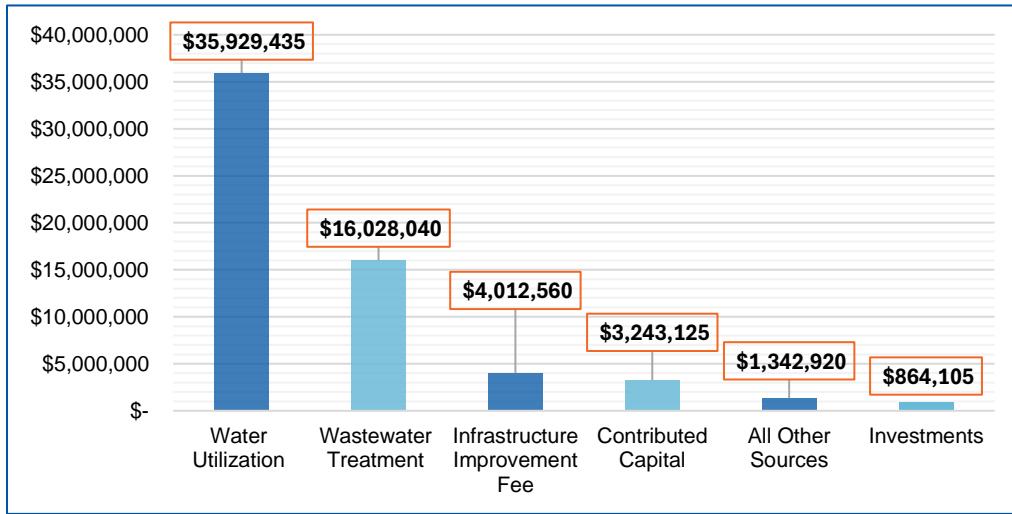
Capital, Major Repair, and Debt Service

- Water and Wastewater Rates
- Contributed Capital
- Infrastructure Improvement Fee
- Investment income

The table below shows all sources of District funding for 2023 actual, 2024 budget, 2024 projected, and 2025 adopted:

Sources of Funds	2023	2024	2024	2025	2025 Variance To	
	Actual	Budget	Projected	Adopted	2023 Actual	2024 Projected
Water Utilization	\$ 28,241,453	\$ 32,150,907	\$ 32,277,330	\$ 35,929,435	27.2%	11.3%
Wastewater Treatment	15,156,475	16,796,971	16,091,101	16,028,040	5.8%	-0.4%
Infrastructure Improvement Fee	-	4,071,600	3,921,750	4,012,560	100.0%	2.3%
Contributed Capital	2,959,056	2,761,440	2,540,800	3,243,125	9.6%	27.6%
Intergovernmental	639,026	798,308	798,308	900,975	41.0%	12.9%
Revenue Bond Proceeds	-	62,000,000	78,881,534	-	0.0%	-100.0%
Net Investment Income	4,978,143	365,100	3,769,305	864,105	-82.6%	-77.1%
All Other Sources	807,930	674,563	584,902	441,945	-45.3%	-24.4%
Total Sources of Funds	\$ 52,782,084	\$ 119,618,888	\$ 138,865,030	\$ 61,420,185	16.4%	-55.8%

The graph below shows the break-out of the District's sources of revenue for the 2025 budget:



2025 WATER AND WASTEWATER RATES

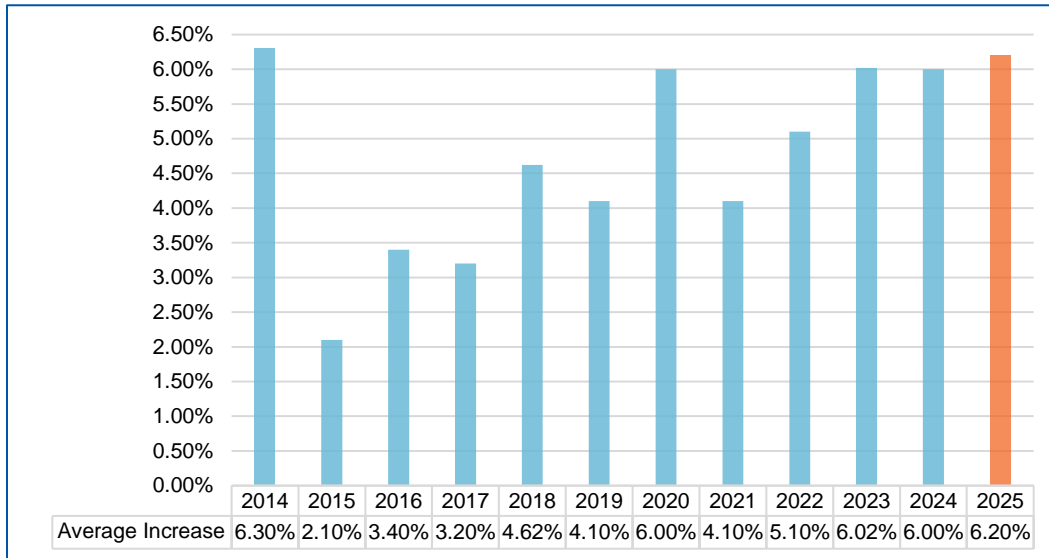
The District does not impose a mill levy and, as the service area is near full build-out, setting rates is a balance between respecting our customers' financial resources while maintaining current and future service levels. For 2025, the Board adopted a 6% overall average increase in water and wastewater rates. Historically, the District has performed a blended calculation when setting rates. In other words, not all rates charged increased by the same percentage. For the 2025 Proposed Budget published on October 15, 2024, the rate schedule instead contemplated a flat 6% increase for all rates.

After careful review, the District determined that costs for supplying water are increasing significantly over wastewater services and accordingly decided to return to the blended calculation for the 2025 Adopted Budget. This calculation increased water usage rates by 11% and the Service Availability Fee by 5%. This helps with encouraging conservation and allowing the customer to manage their water usage outside of the fixed Service Availability Fee.

To help with offsetting this increase, the District chose to increase wastewater usage by 5% and did not increase the wastewater fixed fee over 2024. By electing to not increase the Wastewater Fixed Fee or the Infrastructure Improvement Fee, the adopted rates will reduce a typical customer's annual bill by \$5 from the 2025 proposed budget. The table below shows the average annual increase to a typical single-family home's annual water and wastewater bill:

Rate Type	2024 Adopted	2025 Proposed	2025 Adopted	Change from 2024
Water Usage	\$ 477	\$ 534	\$ 529	10.9%
Service Availability Fee	219	230	230	5.0%
Wastewater Usage	244	256	256	5.0%
Wastewater Fixed Fee	180	180	180	0.0%
Infrastructure Improvement Fee	90	90	90	0.0%
Typical Single-Family Annual Bill	\$ 1,210	\$ 1,290	\$ 1,285	6.2%

The graph below shows the District's average rate increase for water and wastewater services for a typical single-family home for the past 10 years:



The increase for 2024 and 2025 does not include the Infrastructure Improvement Fee as this fee is not part of regularly recurring services provided and is instead imposed to recover the costs of system use impact and regulatory compliance.

WATER BUDGETS

To encourage water conservation, the District implemented an innovative water budgeting concept for water customers in 2002. The water budget for outdoor irrigation provides enough water for healthy landscapes, but not so much that our resources are wasted. Progressively higher tiered rates over the allotted budget serve to encourage conservation. However, customers will only be billed for actual water consumed, regardless of their water budget amount.

- Residential bi-monthly water bills are calculated based on an indoor and outdoor allocation. The indoor component is based upon average wintertime usage and may be adjusted for household size. Single-family residential customers in Highlands Ranch receive 12,000 gallons of water per bimonthly billing period for indoor use and multi-family residents are allocated 6,000 gallons monthly. Solstice residents are allocated 6,000 gallons monthly.

The outdoor irrigation component allows residents an amount tailored to their lot size. Residential customers are allocated 27 inches of water over the irrigation season (April through October), per square foot of irrigable sod, which is considered to be 45% of the property. After October 15 when outdoor water budgets end, customers are allocated 1,000 gallons of water per billing cycle (or 500 gallons per month) for supplemental watering during dry periods.

- The indoor non-residential budget is based on meter size. For irrigation customers, the outdoor budget is calculated on the actual irrigated area served by the meter with a base budget of 27”.

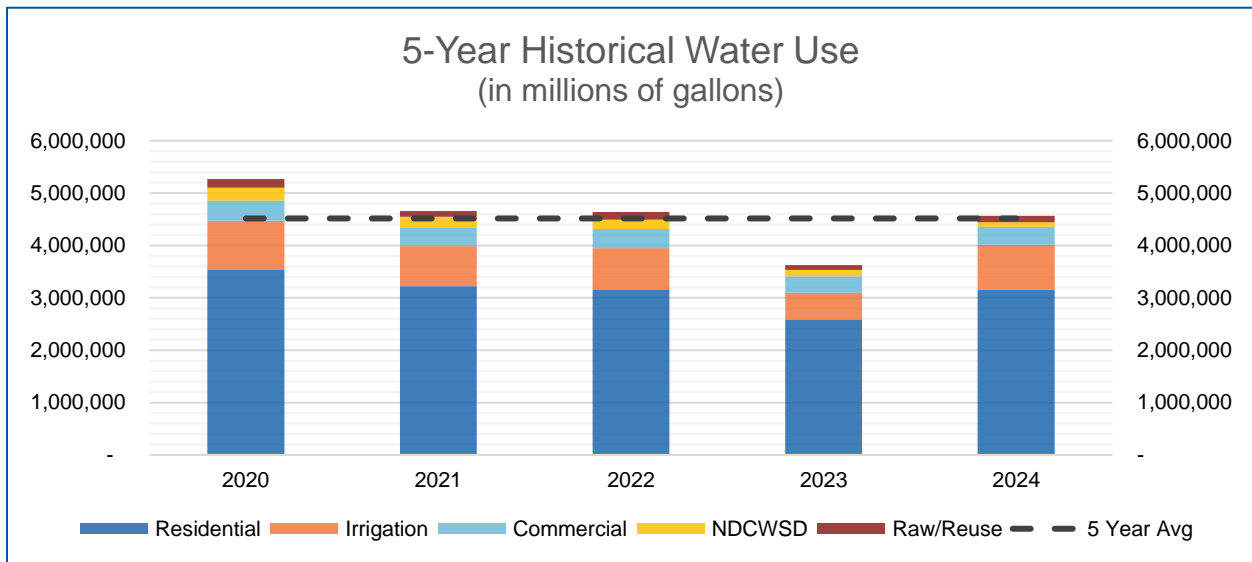
WATER RATES

WATER RATES EXPLAINED

1. Base Rate - Recovers the operating costs of providing water services to customers. The rate charged varies by customer type: residential; multi-family; non-residential; and irrigation.
2. Service Availability Fee - Based off meter size and is set to recover the costs for debt service, billing, meter replacement, and capital and major repair.
3. Drought rates - There are identified rates for Stage 1 and Stage 2 drought conditions. If drought conditions occur, the Board could declare a drought stage that would cause these rates to go into effect. Adopted drought rates are subject to change due to overall water supply conditions.

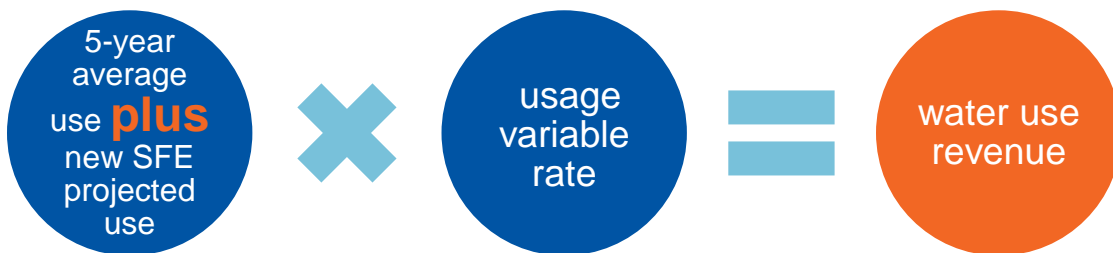
BUDGETING FOR WATER UTILIZATION REVENUE

As weather conditions can significantly impact customer billings, the District uses a 5-year historical average of actual water use as the basis for calculating water usage revenues. The 5-year historical water use average used in budget development is as follows:

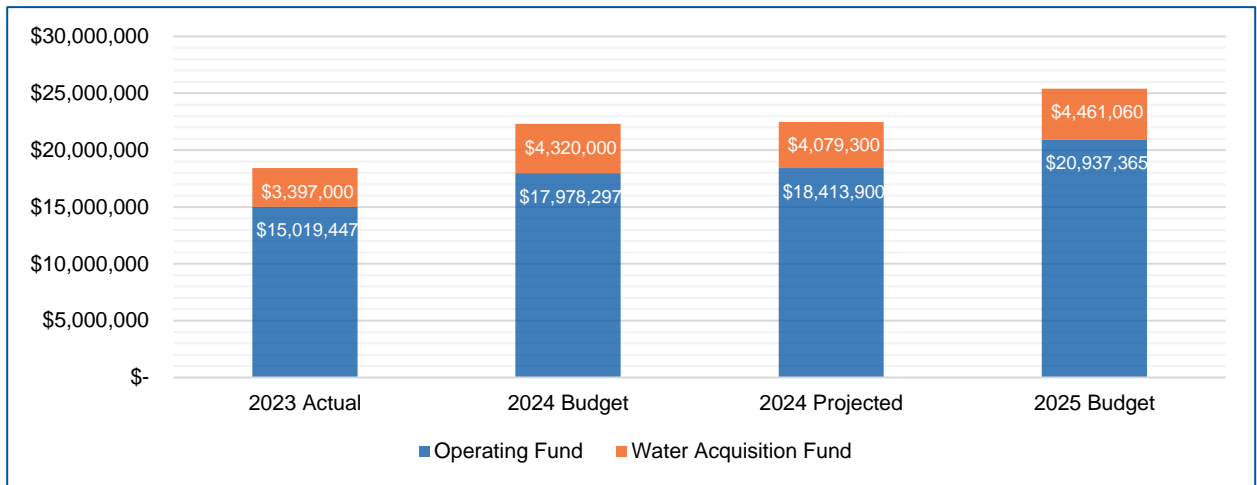


The graph shows why it's important to look at a 5-year average. For example, in a "wet" year as seen in 2023, the revenues the District received were \$3.9 million (8.9%) less than what was budgeted for.

To project how much water usage revenues the District will receive in the budgeted year, staff performs the following calculation:



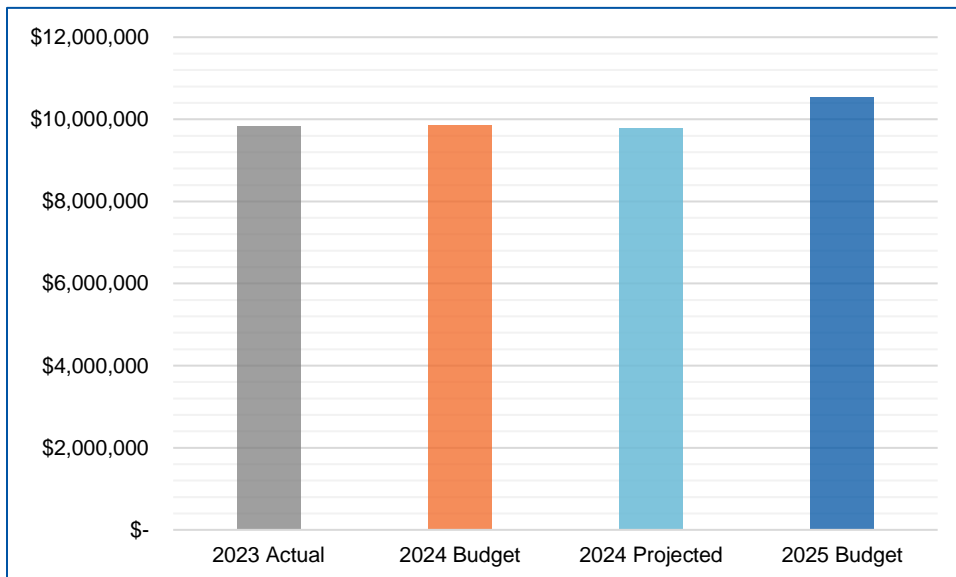
The graph below shows water usage revenues for 2023 actual, 2024 budgeted, 2024 projected, and the 2025 budget:



To project how much in Service Availability Fee revenues the District will receive in the budgeted year, staff performs the following calculation:



The graph below shows service availability fee revenues for 2023 actual, 2024 budgeted, 2024 projected, and the 2025 budget:



The 2025 adopted budget anticipates collections of \$35.9 million, a \$7.7 million (27.2%) increase over 2023 actual from not only the rate increase, but also through updating the 5-year water use average. The \$3.6 million (11.3%) increase over 2024 projected is the result of the 11% year-over-year increase in metered water rates, the 5% increase to the Service Availability Fee, and new development.

As over half of the District's revenue comes from water usage revenue, finance staff closely monitors how much water customers are using and regularly updates the Board on actual usage. If water usage revenues are anticipated to come in less than the adopted budget, during the revised budget process the finance staff considers the following:

1. Are there operating costs that can be reduced throughout the remainder of the year?
2. Are there major repair project costs that can be deferred to later years to lessen the burden of the annual transfer from the Operating Fund to the Capital and Major Repair Fund?
3. Should we start anticipating a transfer from the Financial Assurance Fund, which was created specifically to manage unpredictable events that reduce this revenue source?

Thankfully the District has been able to successfully manage this risk by following the processes outlined above.

WASTEWATER RATES

WASTEWATER RATES EXPLAINED

The District bills both a variable rate and a fixed rate for wastewater treatment. Like the base water rate, the variable rate is structured to recover the operating costs associated with wastewater services and the fixed rate is set to recover the cost of debt service, and capital and major repair and billing services.

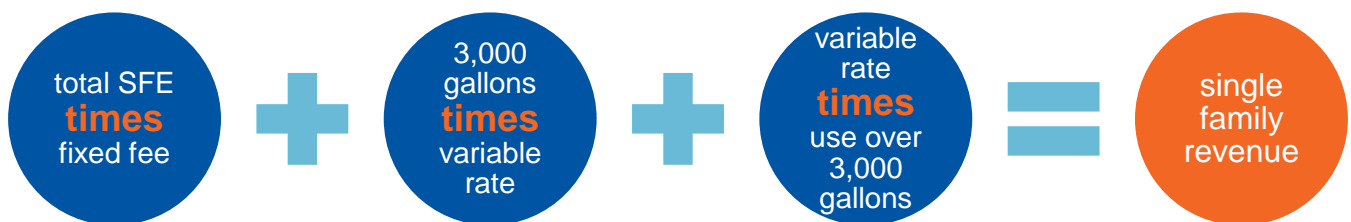
Both single family and multi-family households are charged a minimum wastewater fee:

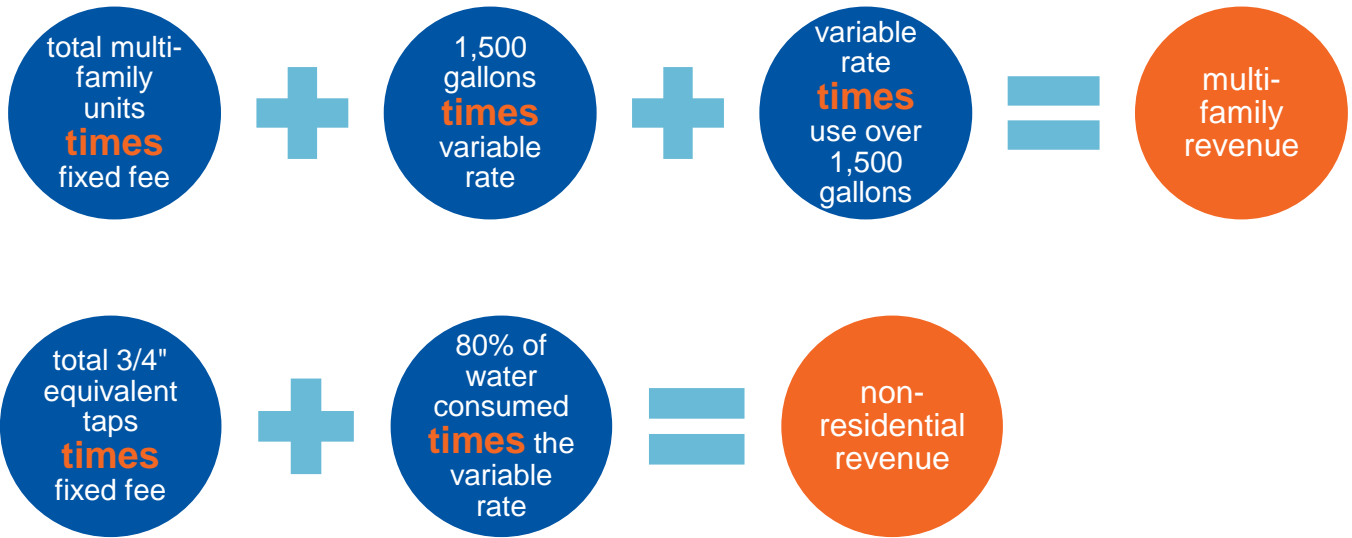
- Single family households: fixed fee + 3,000 gallons charged at the variable rate
- Multi-family households: fixed fee + 1,500 gallons charged at the variable rate

Non-residential customers are not charged a minimum fee.

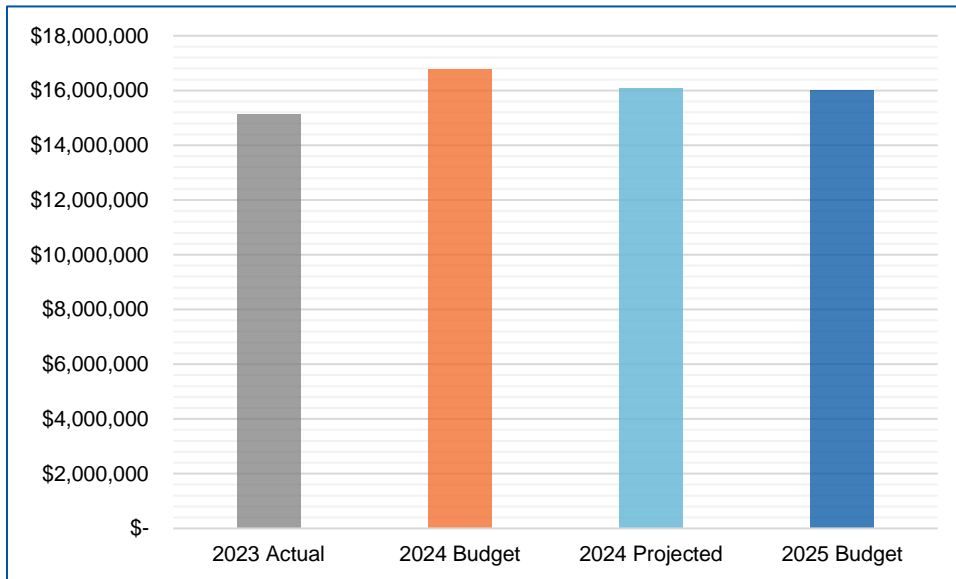
BUDGETING FOR WASTEWATER REVENUE

To project how much wastewater rate revenues the District will receive from wastewater charges, each customer type is looked at independently. The three calculations are as follows:





The graph below shows wastewater rate revenues for 2023 actual, 2024 budgeted, 2024 projected, and the 2025 budget:



The 2025 budget anticipates a \$871,565 (5.8%) increase in wastewater fee collections over 2023 actual and a \$63,061 (-0.4%) decrease over 2024 projected collections. The increase from 2023 is a result of new development and the 5% increase to the variable rate. The decrease from 2024 projected is a result of no increase to the fixed fee combined with updated 5-year average water use flows.

INFRASTRUCTURE IMPROVEMENT FEE

As the District’s water and wastewater infrastructure ages and new federal and state regulations are put in place, dedicated funding is needed to ensure the reliable continuity of operations and compliance with imposed regulations.

As the District’s current operating and capital and major repair expenses are supported by fees, in 2024 the board adopted a fixed charge of \$7.50 per ¾” single-family equivalent per month. This fee assists in the timely funding of these projects and is unchanged from 2024.

CONTRIBUTED CAPITAL

The District collects various development fees that assist in funding infrastructure and water acquisition. Due to their nature, these revenue sources are highly variable and, as both the Highlands Ranch and Solstice communities are nearing build-out, the District will see a decrease in this revenue over time.

A detailed breakout of contributed capital revenue for 2023 actual, 2024 budget, 2024 projected, and 2025 adopted is as follows:

Sources of Funds	2023	2024	2024	2025	2025 Variance To	
	Actual	Budget	Projected	Adopted	2023 Actual	2024 Projected
HRMD Reserved Capacity	\$ 274,891	\$ 533,750	\$ 533,750	\$ 387,025	40.8%	-27.5%
MMD Tap Fees	2,028,840	1,658,800	1,250,480	1,276,000	-37.1%	2.0%
MMD Options Payment	205,485	169,860	132,240	103,740	-49.5%	-21.6%
Water Acquisition Surcharge	418,840	266,400	513,560	343,360	-18.0%	-33.1%
Channel Stabilization Surcharge	31,000	12,630	62,250	33,000	6.5%	-47.0%
In-Tract Lines	-	120,000	-	1,100,000	100.0%	100.0%
Roxborough Water Tap Fee	-	-	48,520	-	0.0%	-100.0%
Total Contributed Capital	\$ 2,959,056	\$ 2,761,440	\$ 2,540,800	\$ 3,243,125	9.6%	27.6%

Contributed capital payments are volatile year-over-year as they are specific to projects and development. To budget for these revenues, the finance group reviews upcoming development for the next budget year as well as projects that will be reimbursed by the Highlands Ranch Metro District.

HRMD RESERVED CAPACITY

The District and the Highlands Ranch Metro District (HRMD) entered into the Highlands Ranch Water and Wastewater Agreement on December 18, 1990, wherein Highlands Ranch Water agrees to supply water and wastewater services to the Highlands Ranch community in exchange for a reserved capacity payment from HRMD. This payment is structured to recover the initial cost of capital for water and wastewater infrastructure and facilities construction. The fee is calculated based upon the zoning of land in Highlands Ranch and adjusted for any rezoning of prior inclusions, actual plat or re-plat of land, and changes in the amount of prior years’ calculation of the fee due. A breakout of the calculation of the 2025 capacity cost due from HRMD as set forth in Exhibit B to the Water & Wastewater Service Agreement can be found in Appendix 6.

As this fee is recalculated annually based on actual development, revenues received tend to be volatile year-over year. The calculated 2025 budget of \$387,025 is an increase of \$112,134 (40.8%) over 2023 actual and a decrease of 146,725 (-27.5%) over 2024 projected.

Once Highlands Ranch is fully developed, the District will no longer receive capital contributions from HRMD, except for reimbursement for in-tract line replacement projects. This revenue source will continue to decline over time until no more payments are received, currently estimated to end in 2030.

MIRABELLE METRO DISTRICT TAP FEES AND OPTIONS PAYMENTS

The District also collects two capital fees from the developer of the Solstice community, Mirabelle Metro District (MMD) to recover the costs of infrastructure built for the sole benefit of Solstice. Solstice was zoned for 1,100 single-family equivalent taps and, at the end of 2024, 464 taps are outstanding.

- The first fee is a tap fee which is charged at a rate of \$12,760 per ¾” tap equivalent and is collected at the time the new tap is requested. As this fee is charged based on actual development, collections tend to be volatile year-over-year. The 2025 budget anticipates collections of \$1,276,000 in tap fees, a \$752,840 (-37.1%) decrease from 2023 actual and \$25,520 (2.0%) increase over 2024 projected.
- The second fee is a year-end options payment charge equal to \$250 per ¾” equivalent tap that has yet to be placed in service. As this fee is charged based on actual development, collections tend to be volatile year-over-year. The 2025 budget anticipates collections of \$103,740 in options payments, a \$101,745 (-49.5%) decrease from 2023 actual and a \$28,500 (-21.6%) decrease from 2024 projected.

Once the Solstice community is fully developed, the District will no longer receive capital contributions from MMD. This revenue source will continue to decline over time until no more payments are received, currently estimated to end in 2027.

WATER ACQUISITION AND CHANNEL STABILIZATION SURCHARGES

The District charges a fee to HRMD, MMD, and Northern Douglas County Water & Sanitation District to recover the costs of acquiring and managing water supply.

- The water acquisition fee is charged at \$1,480 per ¾” tap equivalent. As this fee is charged based on actual development, collections tend to be volatile year-over-year. The 2025 budget anticipates collections of \$343,360, a \$75,480 (-18.0%) decrease from 2023 actual and \$170,200 (-33.1%) under 2024 projected.
- HRMD collects a one-time \$250 channel stabilization surcharge per ¾” tap equivalent at the time a new tap is requested which they then remit to the District. As this fee is charged based on actual development, collections tend to be volatile year-over-year. The 2025 budget anticipates collections of \$33,000, a \$2,000 (6.5%) increase from 2023 actual and \$29,250 (-47.0%) under 2024 projected.

ROXBOROUGH WATER TAP FEES

The District has an interconnection agreement with Roxborough Water and Sanitation District either on a temporary (emergency) or permanent basis. When permanent water service is requested, the District charges a tap fee per ¾” equivalent. The fee charged is based on many factors including, but not limited to, if the connection is residential or commercial, if the tap exceeds the terms in the water transfer agreement, and if the tap was installed during the initial development of the area.

As this fee is charged based on actual development, collections tend to be volatile year-over-year. In 2024, the District received \$48,520 for a 1.5” tap request for a non-residential building. There were no tap requests in 2023 and the 2025 budget anticipates no new taps to be requested.

IN-TRACT LINES

The District contracts with Highlands Ranch Water & Sanitation District for major repairs to water and sewer lines located in Highlands Ranch neighborhoods. These costs are funded by HRMD who remits the reimbursement at project completion. As these revenues are project specific, they are volatile year-over-year as some years may have no projects and other years may have multiple projects. The 2025 budget anticipates collections of \$1.1 million, which is 100% over 2023 and 2024 projected as there were no projects in those years.



INTERGOVERNMENTAL

The District has two intergovernmental agreements that provide revenue in the normal course of operations.

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT

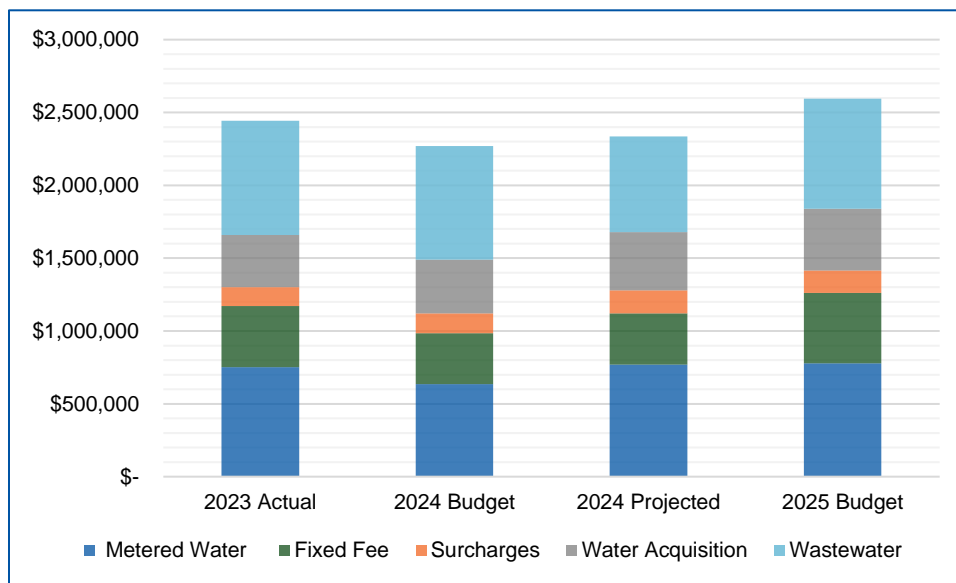
Northern Douglas County Water and Sanitation District (NDC) and the District entered into an Extended Service Area Water and Wastewater Agreement on August 1, 1994, wherein the District agrees to provide water and wastewater service to properties in Northern Douglas County.

The service agreement allows for a rate up to 200% of the base rates charged to customers within the District’s service area. The 2025 rates for NDC include a surcharge of \$1.00 per 1,000 gallons which results in rates less than the maximum 200%. These surcharges are designed to partially offset the increased cost for the acquisition of water from WISE, the need for which is largely attributable to providing service outside of the CWSD service area.

The following are rates charged to NDC:

Service Type	2023	2024	2025	% Change From 2024
Water Service Availability Charge (bi-monthly)	\$ 36.50	\$ 36.50	\$ 38.70	6.0%
Single Family Water Rate up to 100% of Budget per 1,000 Gallons	\$ 5.58	\$ 5.79	\$ 6.32	9.2%
Indoor Commercial Water Rate up to 100% of Budget per 1,000 Gallons	\$ 5.25	\$ 5.43	\$ 5.61	3.3%
Irrigation Water Rate up to 100% of Budget per 1,000 Gallons	\$ 5.69	\$ 5.90	\$ 6.44	9.2%
Minimum Wastewater Charge (bi-monthly)	\$ 39.08	\$ 43.48	\$ 44.17	1.6%
Wastewater per 1,000 Gallons over 3,000	\$ 4.04	\$ 4.52	\$ 4.75	5.1%
Infrastructure Improvement Fee (bi-monthly)	\$ -	\$ 15.00	\$ 15.00	0.0%

The graph below shows revenues received for the agreement with NDC for 2023 actual, 2024 budgeted, 2024 projected, and the 2025 budget:



The 2025 budget anticipates collections of \$2.59 million for all rates charged, a \$151,420 (6.2%) increase from 2023 actual and \$258,350 (10.0%) increase over 2024 projected. These increases are the result of the 2025 rate increase and updates to the 5-year average water use. Note that revenues from NDC are merged into the total water and wastewater revenues.

COST SHARING AGREEMENT WITH THE HIGHLANDS RANCH METRO DISTRICT

In 1987, the District entered into a cost sharing agreement with HRMD where each party pays a portion costs for shared staffing and related operational equipment and supplies. The District currently shares staff in the Finance, Public Works, and Human Resources departments. The 2025 budget is anticipated to receive \$900,975, a \$261,949 (41.0%) increase from 2023 actual and a \$102,668 (12.9%) increase over 2024 projected.

These increases are related to the average annual cost of wages, increases in health insurance benefits, and the increased costs of equipment and other operating supplies. The District is also budgeted to reimburse HRMD \$661,143 for their related costs. Total 2025 net revenue to the District is \$239,832.

ALL OTHER SOURCES

OTHER WATER RELATED CHARGES

Include fees for disconnects, the sale of meters, water and backflow inspection fees, and penalty income. These revenues are reduced by the service charges imposed on the District by credit card companies. These revenues are variable year-over-year, and a 3-year historical analysis is used to budget for the upcoming year.

The 2025 budget anticipates collections of \$248,305, a \$101,214 (-29.0%) decrease from 2023 actual and a slight \$596 decrease from 2024 projected.

NET INVESTMENT INCOME

Investment income is earned on revenues that are invested until they are needed. Due to government accounting standards, at the end of the year the District must mark their investments to market. If economic conditions are sub-par, net investment income revenue may be recorded as a negative balance even if there is no actual loss of revenue. Due to this, net investment income varies year-to-year and will usually see a more than +/-5% change. For example, the 2023 actual mark-to-market was \$4.9 million but comparatively, the 2022 mark-to market was negative \$2.1 million even though the District recognized no losses of investment earnings.

For 2025, the District used a conservative 1.5% return on investments, totaling \$441,945 across all funds. For 2024 projected, the District used market conditions at the end of November 2024 (with a slight adjustment for uncertain market behavior in December). Due to the positive economic conditions seen in 2024, the District is projecting a mark-to-market of approximately \$3.8 million across all funds.

NON-OPERATING INCOME

- Lease income which is budgeted based off lease agreements with HRMD and cellular service providers who used our land for communications towers
- Non-recurring receipts such as property insurance reimbursements and gains from the sale of assets at auction which are budgeted at \$0
- Non-recurring miscellaneous income which is budgeted based off a 3-year historical average

The 2025 budget anticipates collections of \$193,640 with 77.5% of that amount coming from lease proceeds. This represents a \$264,772 (57.8%) decrease from 2023 actual and a \$142,361 (-42.4%) decrease from 2024 projected. The significant decrease in each year is due to the District receiving insurance reimbursements.








BUDGET BY FUND

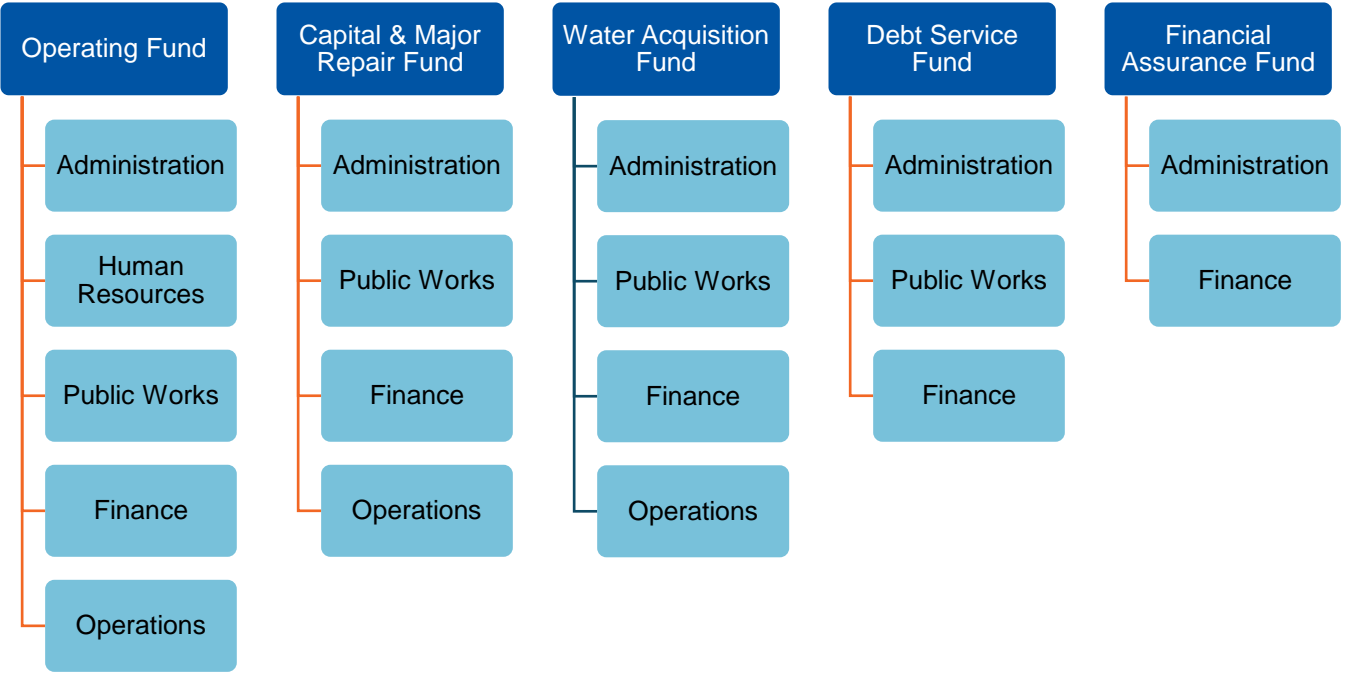


BUDGETARY FUND STRUCTURE

The District budgets for five unique funds. Each fund accounts for the uses of financial resources that are identified to support specific operations of the District. For a more detailed look at each fund.

	<p>OPERATING</p> <ul style="list-style-type: none"> • Regularly occurring operating costs necessary to deliver water and wastewater services
	<p>CAPITAL AND MAJOR REPAIR</p> <ul style="list-style-type: none"> • Projects and capital purchases as identified in the Capital Improvement Plan
	<p>WATER ACQUISITION</p> <ul style="list-style-type: none"> • Operating and capital costs related to the acquisition of surface water
	<p>DEBT SERVICE</p> <ul style="list-style-type: none"> • Accounts for annual debt payment obligations
	<p>FINANCIAL ASSURANCE</p> <ul style="list-style-type: none"> • Reserve fund to support capital and debt costs or unanticipated economic events

Not all departments have a stake in each budgetary fund. The chart below shows the relationship between each department and the budgeted funds:



BASIS OF BUDGETING

For financial reporting purposes, the District is considered an Enterprise Fund which accounts for the acquisition and operations of government facilities and services that are primarily supported by user charges. The District reports revenues when they are earned and expenses when they are incurred.

A fund is a self-balancing, segregated sum of money (or other resources) for the purpose of carrying out a specific activity or to obtain a specific objective. Each fund is managed by identifiable objectives, regulations, and/or restrictions.

The basis for budgeting for each fund is as follows:

- Full accrual basis - revenues are recognized when earned and expenses are recognized when incurred:
 - Operating Fund
 - Water Acquisition Fund's operating costs
- Capital and major repair costs –2023 actual and 2024 projected are reported and budgeted on a cash basis, (i.e., expenditures are recognized when the outflow of cash occurs). For the budget year, the fund balance is reduced by the cost of projects that begin in the budgeted year regardless of if they are single or multi-year projects. This practice is necessary because the District cannot enter into a contract if funds have yet to be assigned to that project.
 - Capital and Major Repair Fund
 - Water Acquisition Fund's capital costs
- Debt Service Fund – revenues are recognized when earned and expenditures are recognized when the outflow of cash occurs.
- Financial Assurance Fund - increased by transfers from the Operating Fund and is reduced by transfers to other funds.

BUDGETARY CONTROL

Once the budget is approved by the Board, staff implement and manage operations in accordance with the approved budget. Each budget owner is accountable for their budget performance, which is also monitored by finance staff. Periodic reports produced by finance staff are provided to the Board to update on the District's use of funds.

Once the budget is adopted, budget owners are expected to stay within the constraints of their approved budget. Specific line items can be modified during the revised budget process, however the total budget cannot be exceeded without Board approval.



The District's Purchasing Policy sets forth the policies and procedures for the acquisition of supplies and services necessary for operations. More details on this policy can be found in the Purchasing Policy section of Appendix 2.

2025 ADOPTED BUDGET - ALL FUNDS

	2023 Actual	2024 Budget	2024 Amended	2025					
				Operating	Water Acquisition	Capital Major Repair	Debt Related	Financial Assurance	Total Adopted
Sources of Funds									
Water Utilization	\$ 28,241,453	\$ 32,150,907	\$ 32,277,330	\$ 31,468,375	\$ 4,461,060	\$ -	\$ -	\$ -	\$ 35,929,435
Wastewater Treatment	15,156,475	16,796,971	16,091,101	16,028,040	-	-	-	-	16,028,040
Infrastructure Improvement Fee	-	4,071,600	3,921,750	4,012,560	-	-	-	-	4,012,560
Contributed Capital	2,959,056	2,761,440	2,540,800	-	376,360	2,763,025	103,740	-	3,243,125
Intergovernmental	639,026	798,308	798,308	900,975	-	-	-	-	900,975
Revenue Bond Proceeds	-	62,000,000	78,881,534	-	-	-	-	-	-
Net Investment Income	4,978,143	365,100	3,769,305	158,800	50	702,400	2,855	-	864,105
All Other Sources	807,930	674,563	584,902	441,945	-	-	-	-	441,945
Total Sources of Funds	52,782,084	119,618,888	138,865,030	53,010,695	4,837,470	3,465,425	106,595	-	61,420,185
Uses of Funds									
Water Operations	10,483,573	12,526,152	13,603,669	14,567,637	2,101,690	-	-	-	16,669,327
Water Leases	4,612,995	6,097,201	7,354,718	5,171,097	1,120,120	-	-	-	6,291,217
Wastewater Operations	5,490,383	5,978,175	6,610,631	7,426,627	-	-	-	-	7,426,627
Technical	6,076,887	6,669,398	6,552,128	7,154,723	-	-	-	-	7,154,723
Administrative	4,158,222	4,838,855	4,931,329	4,862,716	-	-	-	-	4,862,716
Capital/Major Repair	23,165,973	7,450,000	34,330,659	250,000	130,000	19,890,000	-	-	20,270,000
Debt Related	12,730,052	10,094,413	12,692,183	-	-	-	10,865,818	-	10,865,818
Total Uses of Funds	66,718,085	53,654,194	86,075,317	39,432,800	3,351,810	19,890,000	10,865,818	-	73,540,428
Fund Transfers									
From (to) Operating Fund	(13,506,000)	(11,137,283)	(11,421,750)	-	-	4,012,560	7,500,000	-	11,512,560
From (to) Capital Fund	9,006,000	66,071,699	82,803,284	(4,012,560)	-	-	-	-	(4,012,560)
From (to) Water Acquisition Fund	(2,728,830)	(2,728,830)	(2,728,830)	-	-	-	2,728,830	-	2,728,830
From (to) Debt Service Fund	7,228,830	(52,205,586)	(68,652,704)	(7,500,000)	(2,728,830)	-	-	-	(10,228,830)
From (to) Financial Assurance Fund	-	-	-	-	-	-	-	-	-
Net Fund Transfers	-	-	-	(11,512,560)	(2,728,830)	4,012,560	10,228,830	-	-
Project Appropriation									
Rescissions	-	-	285,522	-	350,000	4,700,000	-	-	5,050,000
Net Change in Fund Balance	(13,936,001)	65,964,694	53,075,235	2,065,335	(893,170)	(7,712,015)	(530,393)	-	(7,070,243)
Fund Balance - Beginning	105,844,781	85,417,298	91,908,780	20,426,624	8,742,222	91,974,046	5,146,455	18,694,667	144,984,014
Fund Balance - Ending	\$ 91,908,780	\$ 151,381,992	\$ 144,984,016	\$ 22,491,959	\$ 7,849,052	\$ 84,262,031	\$ 4,616,062	\$ 18,694,667	\$ 137,913,771

OPERATING FUND

This fund accounts for the regularly occurring operating costs of the District necessary to deliver water and wastewater services.

<ul style="list-style-type: none"> • Water Rates • Wastewater Rates • Intergovernmental Agreements • Net Investment Income • Other charges 	<ul style="list-style-type: none"> • Water Operations • Wastewater Operations • Water Leases • Technical Operations • Administrative Operations
<p>SOURCES OF FUNDS</p> 	<p>USES OF FUNDS</p> 

2024 AMENDED BUDGET

In 2024, the District saw unanticipated expenses which resulted in the Board amending the 2024 budget appropriation by \$3,787,721. These items included:

Operating Fund	Adopted	Amended	Increase/ (Decrease)
City of Englewood lease appraisal	\$ -	\$ 2,171,204	\$ 2,171,204
Surface water leases	4,194,984	4,560,534	365,550
Treatment chemicals	2,738,935	4,411,139	1,672,204
Legal costs	655,000	928,000	273,000
Subtotal	7,588,919	12,070,877	4,481,958
Reduction in operating costs offset			(694,237)
Total increase in appropriation			\$ 3,787,721

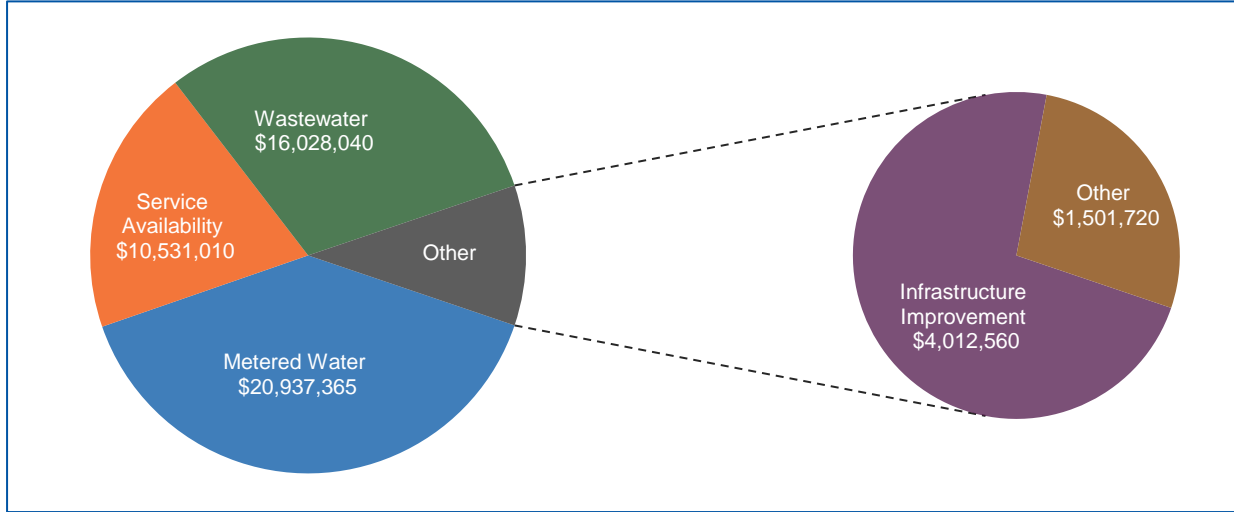
City of Englewood lease appraisal and surface water lease costs - the District makes annual lease payments to the City of Englewood for excess capacity use at McLellan Reservoir, City Ditch, and Nevada Ditch. These payments are adjusted annually using a CPI basis for adjustments, or the parties may alternatively use an “appraisal basis of adjustment” once every five years. In 2023, Englewood exercised their right to an appraisal of water provided to Highlands Ranch Water from 2021 through 2023. This resulted in a \$2.17 million payment from the District to Englewood for the water provided during that period. This appraisal also increased the cost of surface water leases in 2024.

Treatment chemicals – costs increased 61.1% over the 2024 adopted budget due to the overall increase in chemical costs as well as Maximum Contaminant Levels for PFAS. While the District is managing these increased costs, we expect this will be an on-going significant portion of our operating budget.

Legal costs - the District saw an increase in legal costs in 2024 due to a variety of matters, however the District is not currently in litigation with any parties.

SOURCES OF FUNDS

The District’s Operating Fund is heavily reliant on water and wastewater rates. As such, each year when budget owners submit their requests for next year’s funding, the Finance Department must evaluate which requests are absorbable within the parameters of a rate increase, as directed by the Board. The breakout of the Operating Fund’s revenues for the 2025 budget year are as follows:



The table below shows the Operating Fund’s sources of revenue for 2023 actual, 2024 budget, 2024 projected, and 2025 adopted:

Sources of Revenue	2023 Actual	2024 Budget	2024 Projected	2025 Adopted	2025 Variance To	
					2023 Actual	2024 Projected
From Rates						
Metered Water	\$ 15,019,447	\$ 17,978,297	\$ 18,413,900	\$ 20,937,365	39.4%	13.7%
Service Availability Fee	9,825,006	9,852,610	9,784,130	10,531,010	7.2%	7.6%
Wastewater Treatment	15,156,475	16,796,971	16,091,100	16,028,040	5.8%	-0.4%
Infrastructure Improvement Fee	-	4,071,600	3,921,750	4,012,560	100.0%	2.3%
All Other Sources						
Water Other Charges	349,518	382,237	248,900	248,305	-29.0%	-0.2%
Intergovernmental	639,026	798,308	798,310	900,975	41.0%	12.9%
Net Investment Income	4,349,704	84,800	2,433,980	158,800	-96.3%	-93.5%
Non-Operating	458,412	292,325	336,001	193,640	-57.8%	-42.4%
Total Sources of Funds	\$ 45,797,588	\$ 50,257,148	\$ 52,028,071	\$ 53,010,695	15.7%	1.9%
% From Rates	87.3%	96.9%	92.7%	97.2%		
% From all other sources	12.7%	3.1%	7.3%	2.8%		

The Operating Fund has certain requirements it must meet before the requested expense budgets are approved. They are:

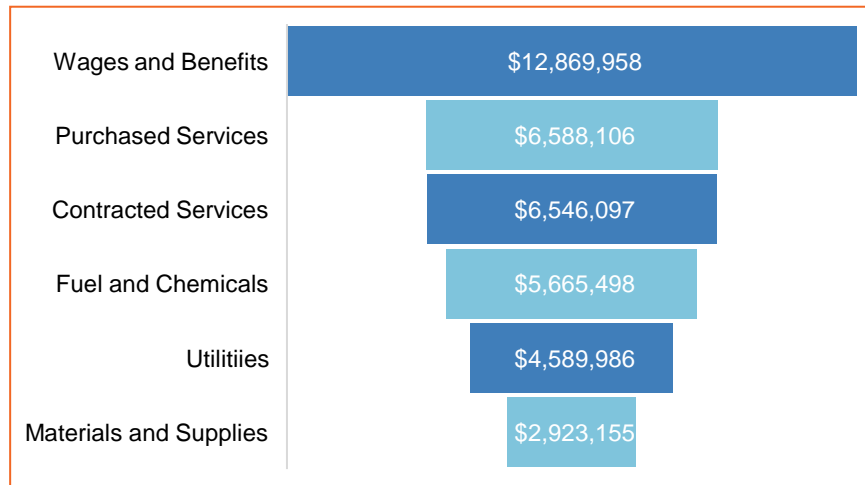
1. Per Board policy, remaining revenues must allow for the budgeted year’s ending fund balance to be at least 50% of the next year’s estimated operating costs. If requests exceed these limitations, the Finance Department will work with the individual departments and leadership to determine which operating costs can either be scaled back or deferred to the next budget year.

2. Revenues must not only recover the total cost of operations, they must also meet the required debt service coverage ratios as required by the District’s debt covenants and allow for operating transfers to the debt service fund.

Any funds in excess of these requirements can be transferred to the Capital and Major Repair Fund, the Water Acquisition Fund, or the Financial Assurance Fund. These transfers are prioritized by the fund balance needs of these funds.

USES OF FUNDS BY EXPENSE TYPE

The graph below is a visualization of the Operating Fund’s budgeted costs for 2025 by expense type:



**For a detailed breakout, please see Appendix 5*

WAGES AND BENEFITS

The largest cost in the Operating Fund is for wages and benefits, representing 32.6% of the 2025 budget. While this is a significant amount, the District’s commitment to providing quality water and wastewater services is backed by the priority of recruiting and, most importantly, retaining talented staff. Keeping staff turnover low is how we ensure that there are limited to no disruptions to services due to a shortage of workers.

PURCHASED SERVICES

The largest costs in the Purchased Services category are for repair services (24.2%), professional services such as water sampling and water resources management (19.8%), and the disposal of sludge (23.5%).

CONTRACTED SERVICES

Water leases, which make up approximately 50% of the District’s water portfolio, make up 79% of the cost of contracted services.

FUEL AND CHEMICALS

Water and wastewater treatment chemicals are vital to the operations of our water and wastewater plants and make up 97.7% of this cost.

UTILITIES

Pumping water requires a significant amount of electricity, which makes up 97.1% of the utility costs.

MATERIALS AND SUPPLIES

A priority of any annual budget is to preserve the District’s existing assets and staff work diligently to do just that. Repair parts account for 73.5% of the costs of materials and supplies.

YEAR OVER YEAR CHANGES

Below is a table showing the 2023 actual, 2024 budget, 2024 amended, and 2025 budgeted uses of funds by type:

Expenses by Type	2023 Actual	2024 Budget	2024 Amended	2025 Adopted	2025 Variance To	
					2023 Actual	2024 Amended
Wages and Benefits	\$ 10,992,097	\$ 11,939,461	\$ 11,726,439	\$ 12,869,958	17.08%	9.75%
Materials and Supplies	2,386,155	2,707,012	2,424,507	2,923,155	22.50%	20.57%
Purchased Services	4,991,212	6,417,043	6,619,468	6,588,106	31.99%	-0.47%
Contracted Services	5,254,618	5,167,984	8,081,453	6,546,097	24.58%	-19.00%
Fuel and Chemicals	2,620,817	2,858,935	4,531,139	5,665,498	116.17%	25.03%
Utilities	3,594,344	4,314,149	3,809,299	4,589,986	27.70%	20.49%
Miscellaneous Capital	58,575	250,000	250,000	250,000	326.80%	0.00%
Total By Type	\$ 29,897,818	\$ 33,654,584	\$ 37,442,305	\$ 39,432,800	31.89%	5.32%

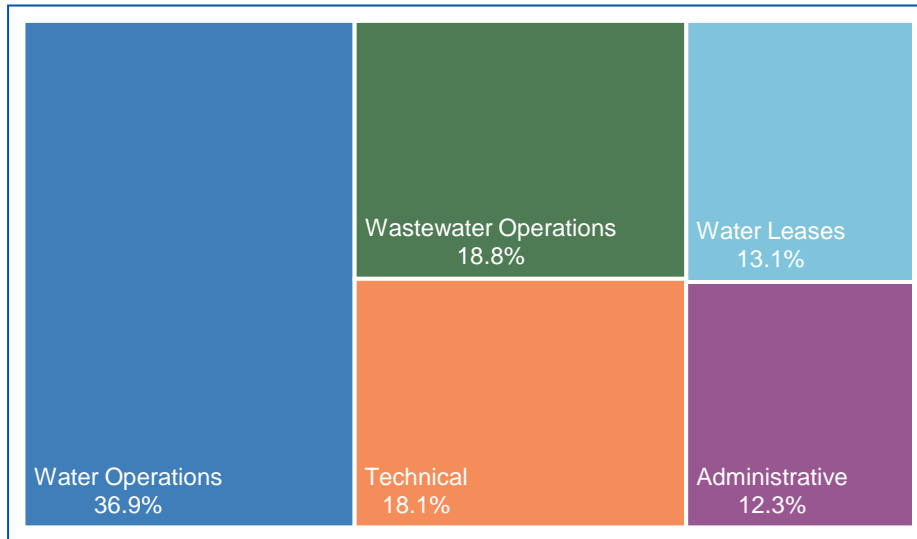
As seen in the table above, there are notable variances to several line items. The primary reasons for these variances are attributed to the following:

- Wages & Benefits increases are directly related to increases in health insurance benefits (13.5%) and the average annual wage increase (6.28%). This increase includes a cost of living adjustment of 4.14% with the remaining being variable based on performance. This line also includes the cost of retirement plan contributions and federal payroll costs.
- Since 2023, the costs of materials and supplies, fuel, utilities, and certain contracted services have seen significant increases primarily due to inflation. Additionally, as our infrastructure ages, ongoing maintenance costs are increasing due to more projects than prior years. With the capital improvements to the water treatment plant and the wastewater treatment plant, the District anticipates these costs to increase by a smaller percentage in future years.
- Since 2023 the cost of treatment chemicals have increased significantly. Additionally, the District will be purchasing more chemicals than usual for Maximum Contaminant Levels treatment for PFAS.
- Miscellaneous capital accounts for unplanned purchases of items (such as pumps) that need immediate replacement. Each year, the District has been building inventory to reduce the needs of anticipated purchases. The District budgets \$250,000 per year for such purchases.



USES OF FUNDS BY ACTIVITY OF OPERATIONS

The graph below is a visualization of the Operating Fund's budgeted costs for 2025 by activity:



**For a detailed breakout, please see Appendix 4*

The remaining 0.8% is \$250,000 for miscellaneous capital.

WATER AND WASTEWATER OPERATIONS

All costs associated with the operations of the water and wastewater treatment plants, pumping and groundwater facility expenses, and water meter installations.



WATER LEASES

The District has entered into multiple water lease agreements which support the water supply available for District customers. Note that the Water Acquisition Fund also carries expenditures for water leases.

TECHNICAL COSTS

These costs are associated with managing our water resources (including conservation), water and wastewater sampling, SCADA, GIS, engineering, and fleet.

ADMINISTRATION

Governance, human resources, finance, IT, customer service, and administrative building operations costs are captured here.

YEAR OVER YEAR CHANGES

Below is a table showing the 2023 actual, 2024 budget, 2024 amended, and the 2025 budgeted uses of funds by activity:

Expenses by Activity					2025 Variance To	
	2023	2024	2024	2025	2023	2024
	Actual	Budget	Amended	Adopted	Actual	Amended
Water Operations	\$ 10,217,244	\$ 11,717,672	\$ 12,366,479	\$ 14,567,637	42.6%	17.8%
Water Leases	3,915,886	4,194,984	6,731,738	5,171,097	32.1%	-23.2%
Wastewater Operations	5,480,117	5,978,175	6,610,631	7,426,627	35.5%	12.3%
Technical	6,067,774	6,669,398	6,552,128	7,154,723	17.9%	9.2%
Administrative	4,158,221	4,844,355	4,931,329	4,862,716	16.9%	-1.4%
Miscellaneous Capital	58,575	250,000	250,000	250,000	326.8%	0.0%
Total By Activity	\$ 29,897,817	\$ 33,654,584	\$ 37,442,305	\$ 39,432,800	31.9%	5.3%

- Increases to Water Operations is the result of reclassifying certain staff, increases to wages and benefits, and a large purchase of water meters for our replacement program.
- Water lease costs were uniquely high in 2024 due to a water appraisal payment to the City of Englewood, however this reappraisal and the acquisition of additional surface water from other agreements continues to increase this cost.
- The increase in Technical is a result of vacancy savings in 2023 and 2024 which are expected to be filled in 2025.
- Miscellaneous capital is normally estimated at \$250,000 per year.

NET CHANGE IN FUND BALANCE

The net change in fund balance for the Operating Fund for 2023 actual, 2024 budget, 2024 amended, and 2025 adopted is as follows:

Sources of Funds					2025 Variance To	
	2023	2024	2024	2025	2023	2024
	Actual	Budget	Amended	Adopted	Actual	Amended
Sources of Funds	\$ 45,797,588	\$ 50,257,148	\$ 52,028,069	\$ 53,010,695	15.7%	1.9%
Uses of Funds	(29,897,818)	(33,654,584)	(37,442,305)	(39,432,800)	31.9%	5.3%
Net Revenue	15,899,770	16,602,564	14,585,764	13,577,895	-14.6%	-6.9%
Net Fund Transfers	(13,506,000)	(11,137,283)	(11,421,750)	(11,512,560)	-14.8%	0.8%
Change in Fund Balance	2,393,770	5,465,281	3,164,014	2,065,335	-13.7%	-34.7%
Fund Balance Beginning	14,868,840	16,966,261	17,262,609	20,426,624	37.4%	18.3%
Fund Balance Ending	\$ 17,262,610	\$ 22,431,542	\$ 20,426,623	\$ 22,491,959	30.3%	10.1%

The increase in fund balance is directly attributed to the increase in rates and managing amounts transferred into other funds. As mentioned previously, the 2025 ending fund balance must be at least 50% of projected 2026 operating costs.

CAPITAL AND MAJOR REPAIR FUND

This fund accounts for the financial resources needed for the construction of capital improvement projects or major repair projects identified in the District’s Capital Improvement Plan. Projects that are considered for capital or major repair classification are to acquire or construct an asset generally with a value exceeding \$25,000 and an expected life of ten years or more. Project appropriations continue in effect for the duration of the project period as these projects may span more than one year due to the scope of work. The major repair or replacement of equipment, vehicles, smaller renovations of facilities, and the purchase of miscellaneous new equipment are accounted for in this fund as well.


- Water capacity fees
- Contributed Capital
- Net Investment Income

SOURCES OF FUNDS



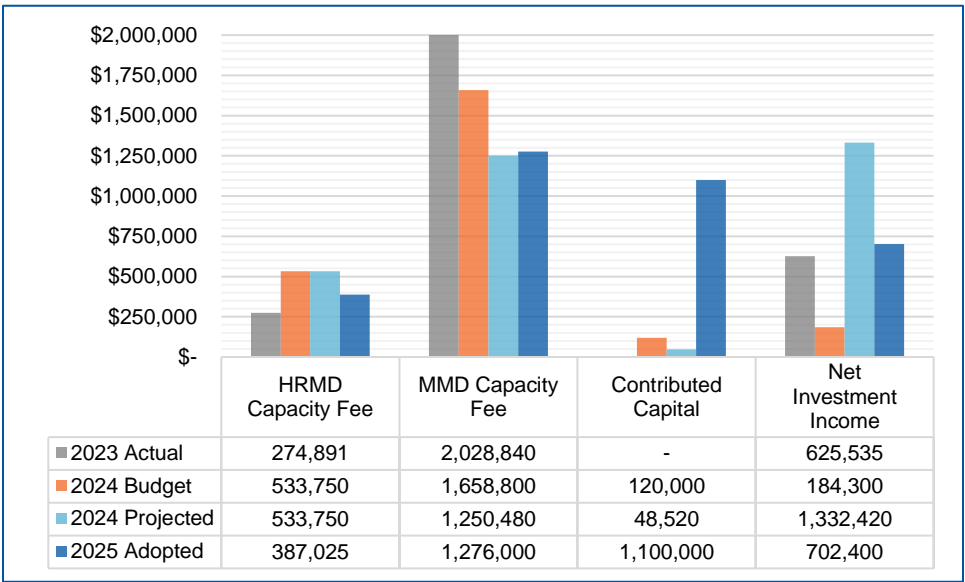
- Vehicle and equipment purchases
- Capital improvement projects
- Major repair projects

USES OF FUNDS



SOURCES OF FUNDS

The graph below presents revenues for capital and major repair for 2023 actual, 2024 budget 2024 projected, and 2025 adopted:



In 2024, the District also received revenue bond proceeds in the amount of \$78,881,534 for capital improvements at the Joseph B. Blake Water Treatment Plant.

USES OF FUNDS

Capital and major repair projects have a substantial impact not only on the overall quality of water and wastewater service delivery but also to the District’s financial resources. As such, the uses of revenues in this fund are governed by the District’s 10-Year Capital Improvement Plan which can be found on pages 73-82.

The table below shows the 2023 actual cash outflows, the 2024 budgeted projects, 2024 projected cash outflows, and 2025 adopted projects:

Project Type	2023 Actual	2024 Budget	2024 Projected	2025 Adopted	2025 Variance To	
					2023 Actual	2024 Projected
Capital						
Water	\$ 2,068,784	\$ 3,250,000	\$ 20,789,928	\$ 8,000,000	286.7%	-61.5%
Wastewater	9,202,863	-	10,327,454	3,500,000	-62.0%	-66.1%
SCADA	-	75,000	-	400,000	100.0%	100.0%
Sub-total capital	11,271,647	3,325,000	31,117,382	11,900,000	5.6%	-61.8%
Major Repair						
Water	9,571,804	1,250,000	1,706,103	5,650,000	-41.0%	231.2%
Wastewater	-	-	639,714	100,000	100.0%	-84.4%
Facilities	-	-	-	210,000	100.0%	100.0%
Sub-total major repair	9,571,804	1,250,000	2,345,817	5,960,000	-37.7%	154.1%
In-Tract Lines	-	-	-	1,100,000	100.0%	100.0%
Vehicles & Equipment	982,008	700,000	600,000	930,000	-5.3%	55.0%
Total Capital and Major Repair	\$ 21,825,459	\$ 5,275,000	\$ 34,063,199	\$ 19,890,000	-8.9%	-41.6%

The significant changes to capital costs for wastewater verses water is related to the District completing capital improvements at the Marcy Gulch Wastewater Treatment Plant and is now focused on capital improvements to the Joseph B. Blake Water Treatment Plant. As such, capital costs for wastewater will continue to decrease while capital costs for water will continue to increase.

The increase in costs for 2024 projected versus the 2024 budget is due to the improvements at the water treatment plant beginning sooner than originally anticipated. This was made possible by issuing the Series 2024 Water and Wastewater Revenue bonds in January of 2024.

BUDGETING FOR USES OF FUNDS

Actual and projected costs are presented as cash outflows while budgeted costs are represented as anticipated total project appropriations. This is because budgeted costs must equal the total cost of the capital or major repair project, regardless of if it’s a multi-year project or not, so that fund balance is set aside for the District to enter into project specific contracts in the budget year.

At the end of each year, Finance will reach out to project managers to verify which projects have been completed. Any unspent project funds will be rescinded, and the fund balance will increase by those unspent funds.

The table below is utilized by finance to track how much in previously appropriated project funds are outstanding. This helps manage fund balance and anticipated cash needs. The table below shows the roll forward of appropriated funds used in developing the 2025 budget:

Appropriations carried forward from 2023	\$ 22,793,126
2024 Appropriations	57,032,564
2024 Project Rescissions	285,522
2024 Projected Cash Outlay	(34,063,199)
Appropriations carried forward to 2025	46,048,013
2025 Projected Appropriations	19,890,000
2025 Projected Rescissions	4,700,000
2025 Projected Cash Outlay	(41,264,000)
Appropriations Remaining	\$ 29,374,013



NET CHANGE IN FUND BALANCE



The net change in fund balance for the Capital and Major Repair Fund for 2023 actual, 2024 budgeted, 2024 projected, and 2025 adopted is as follows:P

	2023 Actual	2024 Budget	2024 Projected	2025 Adopted	2025 Variance To	
					2023 Actual	2024 Projected
Sources of Funds	\$ 2,929,266	\$ 64,496,850	\$ 82,046,704	\$ 3,465,425	18.3%	-95.8%
Uses of Funds	(21,825,459)	(5,275,000)	(34,063,199)	(19,890,000)	-8.9%	-41.6%
Net Revenue	(18,896,193)	59,221,850	47,983,505	(16,424,575)	13.1%	-134.2%
Net Fund Transfers	9,006,000	4,071,699	3,921,750	4,012,560	-55.4%	2.3%
Change in Fund Balance	(9,890,193)	63,293,549	51,905,255	(12,412,015)	-25.5%	-123.9%
Project Rescission	-	-	285,522	4,700,000	100.0%	1546.1%
Audit Adjustment	756,695	-	-	-		
Fund Balance Beginning	48,916,767	36,897,793	39,783,269	91,974,046	188.0%	131.2%
Fund Balance Ending	<u>\$ 39,783,269</u>	<u>\$ 100,191,342</u>	<u>\$ 91,974,046</u>	<u>\$ 84,262,031</u>	<u>211.8%</u>	<u>-8.4%</u>

The significant change to ending fund balance as compared to 2023 actual is directly related to the receipt of the Series 2024 Water and Wastewater Revenue Bonds.

WATER ACQUISITION FUND

This fund accounts for the operating and capital costs related to WISE water delivery and the costs of storage at Chatfield Reservoir. It also absorbs some of the capital costs related to the acquisition of surface water and construction of facilities to capture, store and deliver surface water. Additionally, it makes an annual transfer to the Debt Service Fund for the principal and interest payments on the Chatfield Reallocation Project loans.

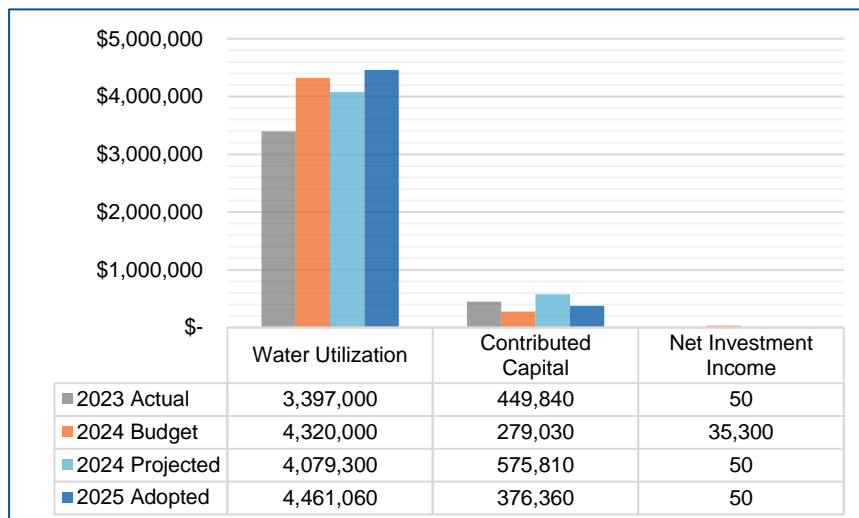
<ul style="list-style-type: none"> • Water utilization • Contributed Capital • Net Investment Income 	<ul style="list-style-type: none"> • WISE water • Chatfield storage • Major repair projects • Capital projects • Debt service
<p>SOURCES OF FUNDS</p> 	<p>USES OF FUNDS</p> 

SOURCES OF FUNDS

This fund is primarily supported by a portion of the base water rate, transferred from the Operating Fund on a monthly basis. The 2025 Adopted Budget assumes an increase to the water acquisition portion of base water rates from \$0.90 to \$1.00 per thousand gallons.

This fund also receives fees charged to recover the costs of acquiring and managing water supply. The water acquisition fee is charged at \$1,480 per ¾” tap equivalent and the channel stabilization surcharge is a one-time \$250 per ¾” tap equivalent at the time a new tap is requested.

The graph below presents sources of funds for water acquisition for 2023 actual, 2024 budget, 2024 projected, and 2025 adopted:

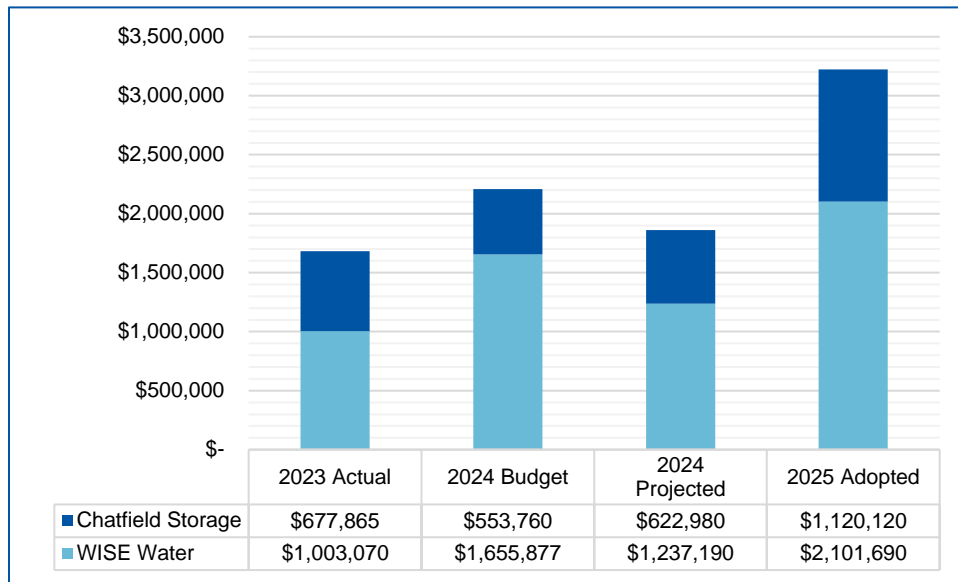


The increase in water utilization revenues over 2023 is attributable to the historically low amount of water customers used in the wet summer months of 2023. The increase for 2024 is related to the increase in the water acquisition portion of the base rate.

Contributed capital revenues are charged on actual development therefore collections tend to be volatile year-over-year.

USES OF FUNDS OPERATING

The graph below presents the uses of funds for water acquisition operating costs for 2023 actual, 2024 budget, 2024 projected, and the 2025 adopted budget:

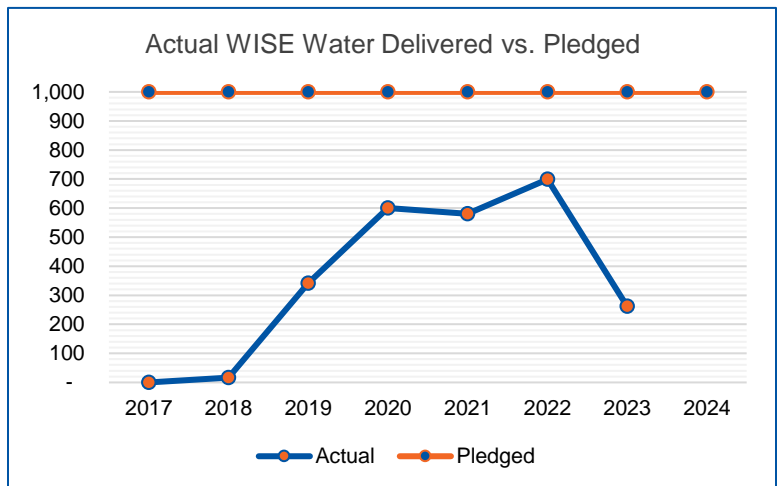


WATER INFRASTRUCTURE SUPPLY EFFICIENCY (WISE) WATER

The large increase in costs for WISE in 2025 is related to the anticipated increase in WISE water delivered to the District. WISE will provide members with a minimum of 100,000 acre-feet of water every year, with 10% of the total supply dedicated to the District.

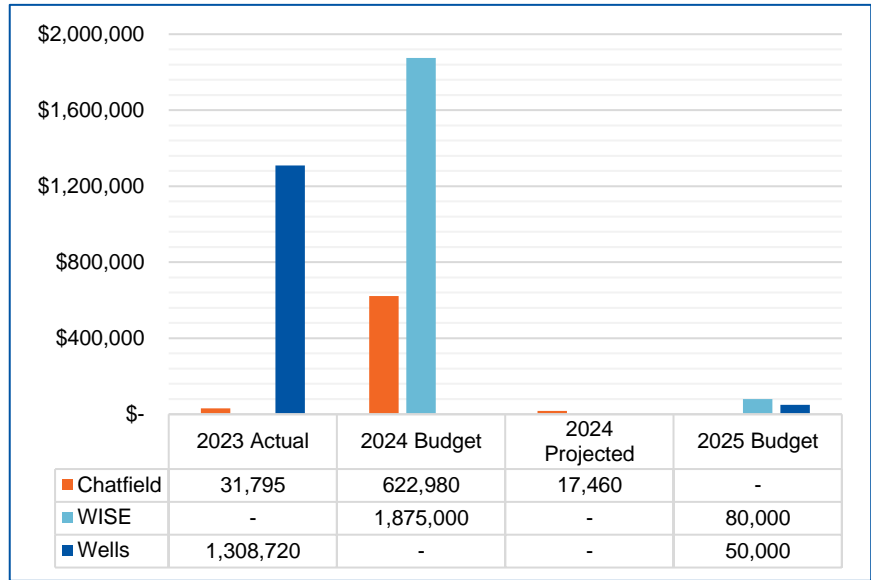
CHATFIELD STORAGE

Chatfield operating costs in 2025 are increasing significantly due to an assessment of maintenance that needs to be performed at the reservoir that was primarily caused by the large amount of rain the area saw in 2023. The assessment for our 6,922 acre feet of storage space is \$161.82 per acre foot.



USES OF FUNDS CAPITAL

2023 Actual	
Chatfield Storage	\$ 31,795
SP-14 Monitoring Well	518,119
Well D-20A	790,601
Total	\$ 1,340,515
2024 Budget	
Chatfield Storage	\$ 622,980
WISE Land Acquisition	575,000
WISE DIA Connection	1,300,000
Total	\$ 2,497,980
2024 Projected	
Chatfield Storage	\$ 17,460
2025 Budget	
WISE Pilot Study	\$ 80,000
South Platte Wellfield #1	50,000
Total	\$ 130,000



Projected capital costs for 2024 are significantly lower than the 2024 budget due to the deferral of a WISE project. The timing of these projects is managed by the South Metro WISE Authority.

A project not listed is a District commitment of \$850,000 towards capital costs related to a pipeline connection near Denver International Airport, which will be funded with previously appropriated funds.

NET CHANGE IN FUND BALANCE



The net change in fund balance in the Water Acquisition Fund for 2023 actual, 2024 budget, 2024 projected, and 2025 adopted is as follows:

	2023 Actual	2024 Budget	2024 Projected	2025 Adopted	2025 Variance To	
					2023 Actual	2024 Projected
Sources of Funds	\$ 3,846,890	\$ 4,634,330	\$ 4,655,160	\$ 4,837,470	25.8%	3.9%
Uses of Funds Operating	(1,680,935)	(2,209,637)	(1,860,170)	(3,221,810)	-91.7%	-73.2%
Uses of Funds Capital	(1,340,514)	(2,426,060)	(17,460)	(130,000)	90.3%	-644.6%
Net Change	825,441	(1,367)	2,777,530	1,485,660	80.0%	-46.5%
Net Fund Transfers	(2,728,830)	(2,728,830)	(2,728,830)	(2,728,830)	0.0%	0.0%
Change in Fund Balance	(1,903,389)	(2,730,197)	48,700	(1,243,170)	34.7%	-2652.7%
Project Rescission	-	-	-	350,000	100.0%	100.0%
Fund Balance Beginning	10,596,912	9,439,554	8,693,523	8,742,223	-17.5%	0.6%
Fund Balance Ending	\$ 8,693,523	6,709,357	\$ 8,742,223	\$ 7,849,053	-9.7%	-10.2%

The negative change in fund balance is due to the increased costs for WISE water acquisition and Chatfield maintenance assessment, as described above.

DEBT SERVICE FUND

This fund is used to account for the accumulation of resources for the payment of debt obligations.

<ul style="list-style-type: none"> • Contributed Capital • Net Investment Income • Fund transfers 	<ul style="list-style-type: none"> • MGWWTP Phase II revenue bonds • JBWTP Phase 1B revenue bonds • Chatfield storage loans
<p>SOURCES OF FUNDS</p> 	<p>USES OF FUNDS</p> 

2024 AMENDED BUDGET

The 2024 budget for the Debt Service Fund was amended due to the issuance of the Series 2024 bonds in January 2024:

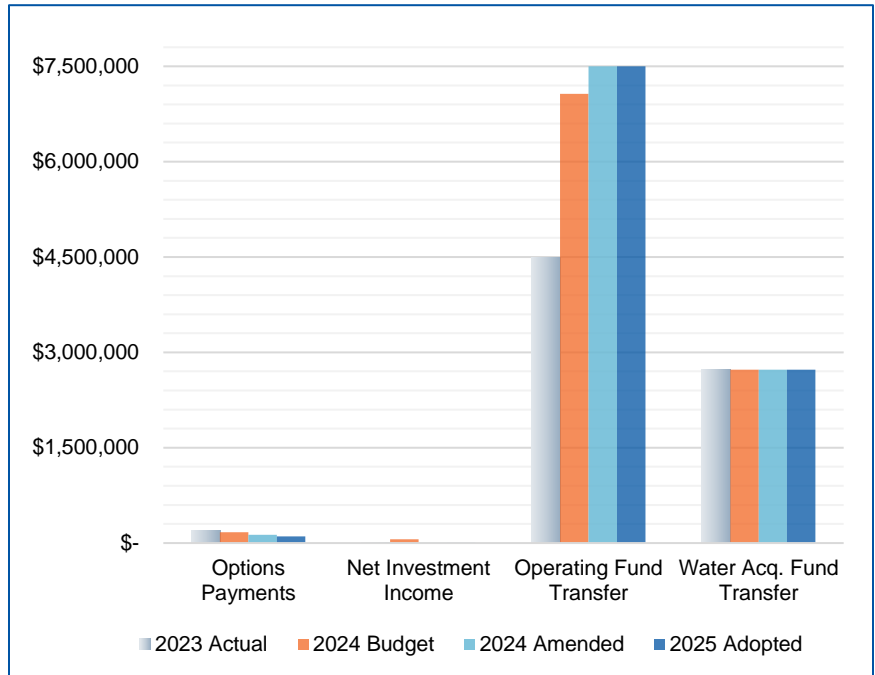
Debt Service Fund	Adopted	Amended	Increase/ (Decrease)
Principal Paid on Debt	\$ 7,065,584	\$ 5,060,726	\$ (2,004,858)
Interest Paid on Debt	2,728,829	7,631,457	4,902,628
Debt Issuance Costs	300,000	-	(300,000)
Total increase in appropriation	\$ 10,094,413	\$ 12,692,183	\$ 2,597,770

SOURCES OF FUNDS

This fund is primarily supported by transfers from the Operating and Water Acquisition Funds.

The fund also receives an annual option payment in an amount equal to 2% of the tap fee for all taps reserved for Mirabelle Metro District that have not been purchased as of December 31st of the immediate preceding calendar year. The option payments shall be in exchange for the capacity that the District reserves in its facilities for the Solstice community. At the end of 2024, Mirabelle had 464 taps outstanding.

The fund receives a small amount of interest income from existing fund balance with \$2,855 budgeted for in 2025, which is similar to prior years.



The transfer from the Water Acquisition Fund is equal to the annual debt service payments on the loans that funded the Chatfield water storage project. The transfer from the Operating Fund must be sufficient so that the fund balance has capacity for the annual debt payment for the 2019 and 2024 bonds. The increase in the transfer from the Operating Fund from 2023 is attributable to the Infrastructure Improvement Fee which was implemented in 2024.

OUTSTANDING DEBT

WATER RELATED

On October 15, 2015, the District entered into three loan agreements with the Colorado Water Conservation Board (“CWCB”) to fund the Chatfield Reallocation Project. The loans were approved in the aggregate amount of \$44,400,000 and required the District to contribute at least 10 percent of the project cost, bringing the total loan approval to \$48,888,000. To cover the increased cost of construction, in 2018 the Board authorized an increase of \$9,046,267 to the loans for a maximum aggregate amount of \$53,446,267. The final loan maturity is on November 1, 2051.

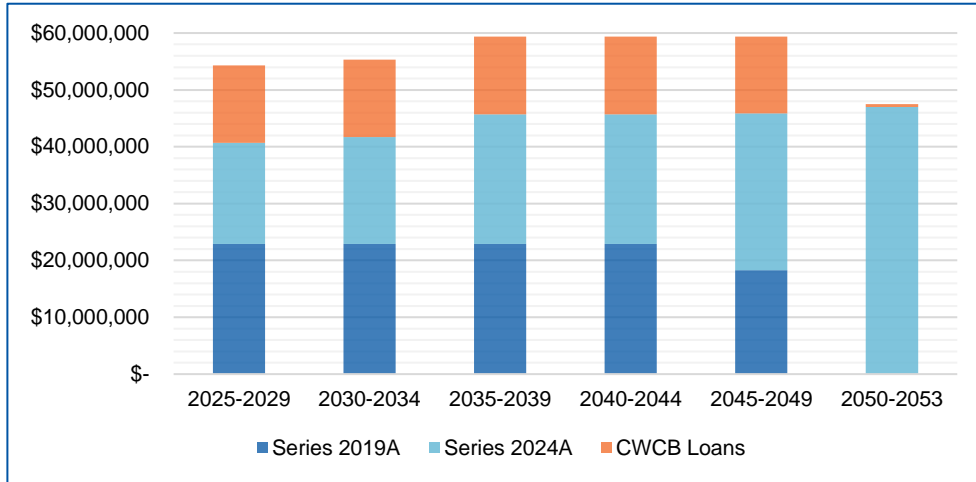
The District issued its Series 2024A Water and Wastewater Revenue Bonds dated February 1, 2024 in the par amount of \$70,000,000 for the purpose of financing the capital improvements to the Joseph B. Blake Water Treatment Plant. The bonds fully mature on December 1, 2053.

WASTEWATER RELATED

The District issued its Series 2019A Water and Wastewater Revenue Bonds dated January 17, 2019 in the par amount of \$64,355,000 for the purpose of financing the engineering, design, and construction of the phase 2 upgrades to the Marcy Gulch Wastewater Treatment Plant. These improvements are time sensitive modifications which enable the District to comply with regulatory discharge requirements. The bonds fully mature on December 1, 2048.

ANNUAL DEBT SERVICE

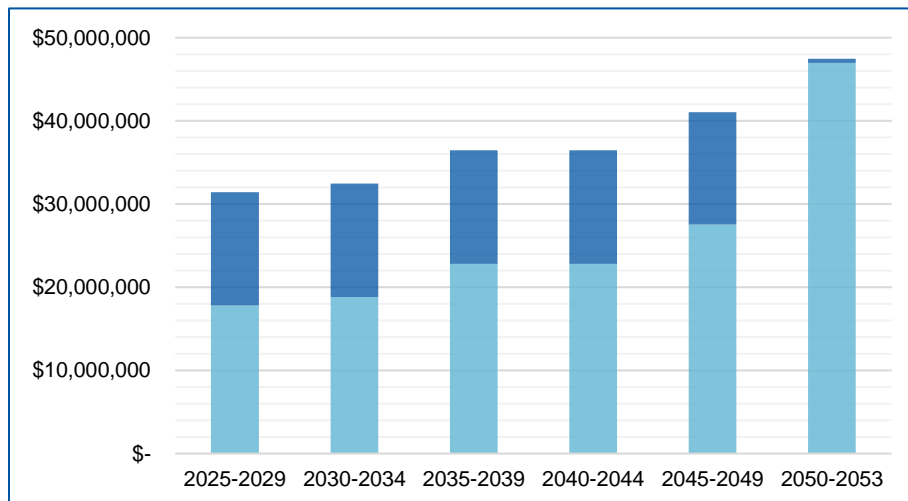
The graph below shows the outstanding principal and interest payments for each debt obligation from 2025 through 2053, broken out into 5-year segments:



WATER RELATED

The table and graph below show the total outstanding debt service for the CWCB Loans and the Series 2024A Water and Wastewater Revenue Bonds:

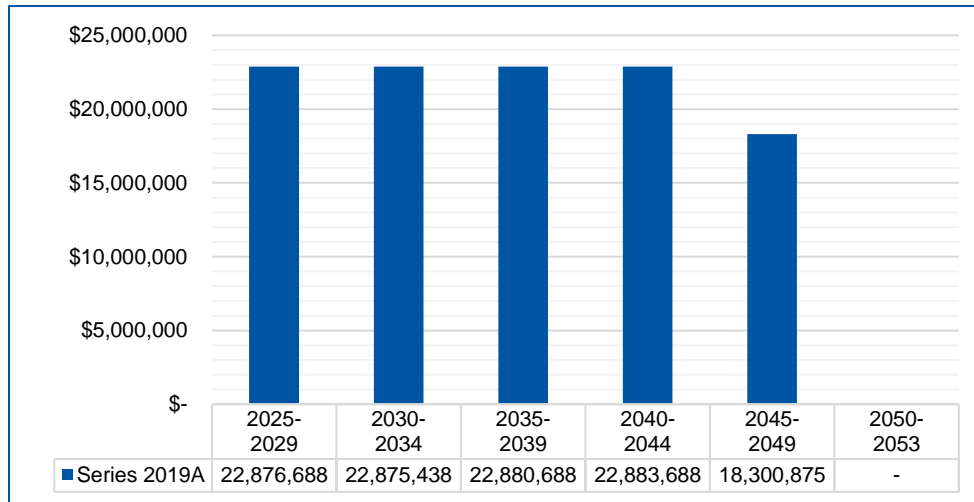
Year	Principal	Interest	Total Debt Service
2025	\$ 1,298,548	\$ 4,990,682	\$ 6,289,230
2026	1,337,505	4,951,725	6,289,230
2027	1,377,630	4,911,600	6,289,230
2028	1,418,959	4,870,271	6,289,230
2029	1,461,527	4,827,702	6,289,229
2030-2034	8,997,231	23,453,917	32,451,148
2035-2039	15,095,186	21,375,462	36,470,648
2040-2044	18,180,890	18,288,758	36,469,648
2045-2049	26,527,574	14,522,013	41,049,587
2050-2053	41,981,000	5,496,515	47,477,515
Total	\$ 117,676,050	\$ 107,688,645	\$ 225,364,695



WASTEWATER RELATED

The table and graph below show the total debt service for the Series 2019A Water and Wastewater Revenue Bonds:

Year	Principal	Interest	Total Debt Service
2025	\$ 1,430,000	\$ 3,146,588	\$ 4,576,588
2026	1,500,000	3,075,088	4,575,088
2027	1,575,000	3,000,088	4,575,088
2028	1,655,000	2,921,338	4,576,338
2029	1,735,000	2,838,588	4,573,588
2030-2034	10,075,000	12,800,438	22,875,438
2035-2039	12,785,000	10,095,688	22,880,688
2040-2044	16,110,000	6,773,688	22,883,688
2045-2049	16,130,000	2,170,875	18,300,875
Total	\$ 62,995,000	\$ 46,822,379	\$ 109,817,379



DEBT LIMITS

The District is subject to two debt coverage requirements:

1. Recurring revenues need to be sufficient to pay annual operating expenses and 100% of annual debt service
2. Net revenues plus capital contributions then must be sufficient to pay annual operating expenses and 125% of annual debt service

Audit Year	Annual Debt Service	TEST #1 1.0x COVERAGE				TEST #2 1.25x COVERAGE			
		Operating Revenue and Invest Income	Less Operating Expenses	Net Recurring Revenue	Debt Service Coverage Based Upon Net Recurring Revenue	Net Recurring Revenue	Plus Capital Contributions	Total Net Revenue	Debt Service Coverage Based Upon Net Revenue
2023	\$ 12,730,052	\$ 49,364,616	\$ 30,822,061	\$ 18,542,555	1.46	\$ 18,542,555	\$ 2,959,056	\$ 21,501,611	1.69
2024	\$ 12,692,183	57,106,694	39,302,475	17,804,219	1.40	17,804,219	2,540,800	20,345,019	1.60
2025	\$ 10,865,817	\$ 57,983,420	\$ 42,654,610	\$ 15,328,810	1.41	\$ 15,328,810	\$ 3,243,125	\$ 18,571,935	1.71

The District may use 25% of available funds in the Financial Assurance Fund for coverage of the prior two tests:

Audit Year	Annual Debt Service	ADDITIONAL ALLOWABLE TO MEET COVERAGE REQUIREMENTS		
		Financial Assurance Fund Balance	25% Allowance	Debt Service Coverage Based Upon Net Revenue + Allowable 25%
2023	\$ 12,730,052	\$ 18,694,667	\$ 3,182,513	1.94
2024	\$ 12,692,183	18,694,667	3,173,046	1.85
2025	\$ 10,865,817	\$ 18,694,667	\$ 2,716,454	1.96

The net change in fund balance for the Debt Service Fund for 2023 actual, 2024 budget, 2024 amended, and 2025 adopted are as follows:

	2023	2024	2024	2025	2025 Variance To	
	Actual	Budget	Amended	Adopted	2023 Actual	2024 Amended
Sources of Funds	\$ 208,340	\$ 62,230,560	\$ 79,016,629	\$ 106,595	-48.8%	-99.9%
Uses of Funds	(12,730,052)	(10,094,413)	(12,692,183)	(10,865,817)	-14.6%	-14.4%
Net Revenue	(12,521,712)	52,136,147	66,324,446	(10,759,222)	14.1%	116.2%
Net Fund Transfers	7,228,830	(52,205,586)	(68,652,704)	10,228,830	41.5%	-114.9%
Change in Fund Balance	(5,292,882)	(69,439)	(2,328,258)	(530,392)	90.0%	77.2%
Fund Balance Beginning	12,767,595	12,145,519	7,474,713	5,146,455	-59.7%	-31.1%
Fund Balance Ending	<u>\$ 7,474,713</u>	<u>\$ 12,076,080</u>	<u>\$ 5,146,455</u>	<u>\$ 4,616,063</u>	<u>-38.2%</u>	<u>-10.3%</u>

The change in fund balance is attributed to the District paying off its 2012A note in December 2024 as well as a smaller transfer from the Operating Fund than what was transferred in prior years.

FINANCIAL ASSURANCE FUND

This fund is set aside to primarily support capital costs and debt service, although there are no restrictions on how the fund may be used. Use of the Financial Assurance Fund allows the District to manage annual increases in rates that may otherwise be negatively impacted by economic conditions, new regulations, or other unforeseen events. The fund may be increased annually if rate revenues received exceed that year’s operating and capital costs or it may be decreased to support shortfalls in any of the other funds. The current balance available in the fund is \$18,694,667.

FUND TRANSFERS

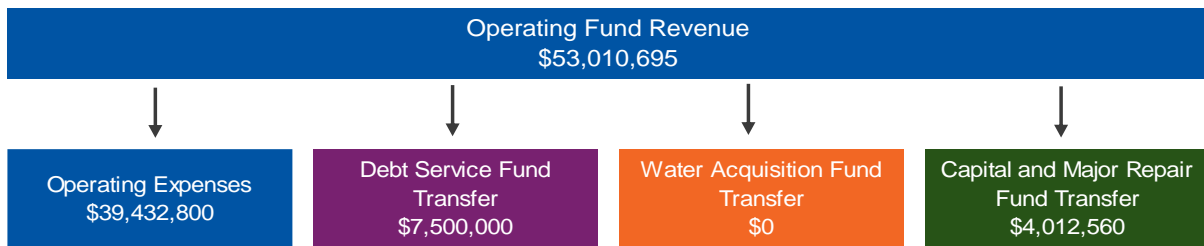
Per Board policy, the Operating Fund must end each year with a minimum of 50% of next year’s projected operating expenditures. This target provides resources for unforeseen events such as weather or economic events that could negatively impact revenue collections.

Operating revenues are first used for operating expenses and a transfer to the Debt Service Fund to, at a minimum, maintain enough fund balance in the Debt Service Fund to satisfy the next year’s debt payments.

If after satisfying these requirements excess fund balance exists, the Operating Fund may make transfers to the other funds which are prioritized by each fund’s need for additional financial resources.

While 2023 saw a significant decrease in revenues for the District, the Operating Fund was able to transfer excess fund balance accumulated in prior years to the Capital Projects and Major Repair Fund on top of making the required transfer to the Debt Service Fund. The transfers to the Capital Projects and Major Repair Fund in 2024 and 2025 come from revenues received from the Infrastructure Improvement Fee.

The following chart details the Operating Fund’s flow of financial resources for 2025:



Each year, the Water Acquisition Fund must transfer an amount to the Debt Service Fund equal to the next year’s payment for the Chatfield Reallocation Project loans. The transfer is budgeted at \$2,728,830 for 2025 which is unchanged from 2023 and 2024.



**HIGHLANDS RANCH WATER & SANITATION DISTRICT
2025 ADOPTED BUDGET**

The schedule of transfers between funds for 2023 actual, 2024 budget, 2024 projected and 2025 adopted is as follows:

	2023 Actual	2024 Budget	2024 Projected	2025 Adopted
Operating Fund				
From (to) Capital Fund	\$ (9,006,000)	\$ (4,071,699)	\$ (3,921,750)	\$ (4,012,560)
From (to) Water Acquisition Fund	-	-	-	-
From (to) Debt Service Fund	(4,500,000)	(7,065,584)	(7,500,000)	(7,500,000)
From (to) Financial Assurance Fund	-	-	-	-
Net Transfers	(13,506,000)	(11,137,283)	(11,421,750)	(11,512,560)
Capital Projects and Major Repair Fund				
From (to) Operating Fund	9,006,000	4,071,699	3,921,750	4,012,560
From (to) Debt Service Fund	-	62,000,000	78,881,534	-
From (to) Financial Assurance Fund	-	-	-	-
Net Transfers	9,006,000	66,071,699	82,803,284	4,012,560
Water Acquisition Fund				
From (to) Operating Fund	-	-	-	-
From (to) Debt Service Fund	(2,728,830)	(2,728,830)	(2,728,830)	(2,728,830)
From (to) Financial Assurance Fund	-	-	-	-
Net Transfers	(2,728,830)	(2,728,830)	(2,728,830)	(2,728,830)
Debt Fund				
From (to) Operating Fund	4,500,000	7,065,584	7,500,000	7,500,000
From (to) CAP/MR Fund	-	(62,000,000)	(78,881,534)	-
From (to) Water Acquisition Fund	2,728,830	2,728,830	2,728,830	2,728,830
From (to) Financial Assurance Fund	-	-	-	-
Net Transfers	7,228,830	(52,205,586)	(68,652,704)	10,228,830
Financial Assurance Fund				
From (to) Operating Fund	-	-	-	-
From (to) CAP/MR Fund	-	-	-	-
From (to) Water Acquisition Fund	-	-	-	-
Net Transfers	\$ -	\$ -	\$ -	\$ -

The 2024 transfer from the Debt Service Fund to the Capital Projects and Major Repair Fund comes from the Series 2024A Water and Wastewater Revenue Bonds.

DISTRICT DEPARTMENTS



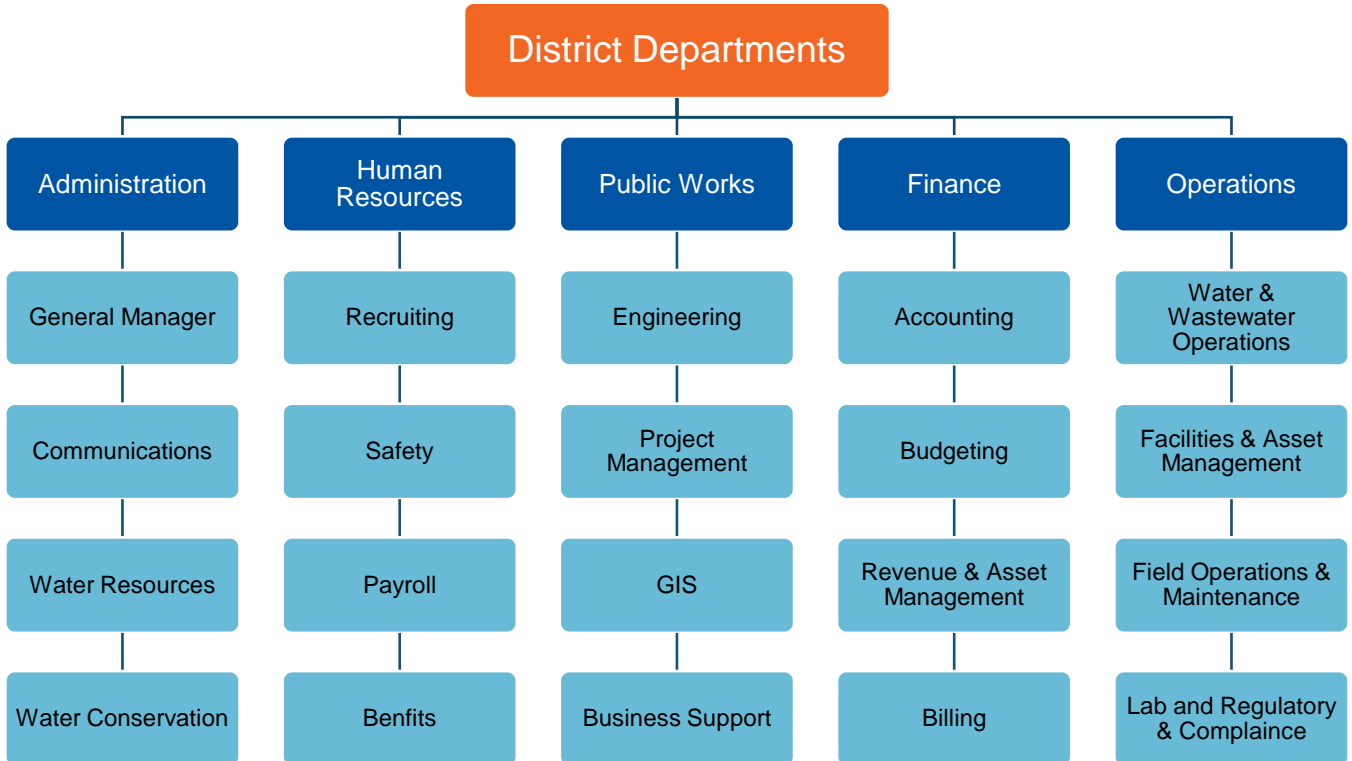
SUMMARY

The District is managed by five departments with each having specifically identified functions to achieve successful District operations and customer accountability.

PRIMARY GOALS AND OBJECTIVES

Department performance is measured on an annual basis and success is measured by the following:

- Administration – ensure the District is following and meeting the Vision, Mission, and Strategic Goals as mandated by the Board
- Human Resources – sustain staffing levels through successful recruitment and training, and continuously monitor District culture for staff retention
- Public Works – ensure District facilities are in compliance with all applicable regulations through the effective management of capital and major repair projects
- Finance – safeguard the District’s financial resources by accurately managing the short and long-term operating and capital objectives of the District
- Operations – reliably deliver safe drinking water to the community and manage the successful treatment of wastewater



ADMINISTRATION

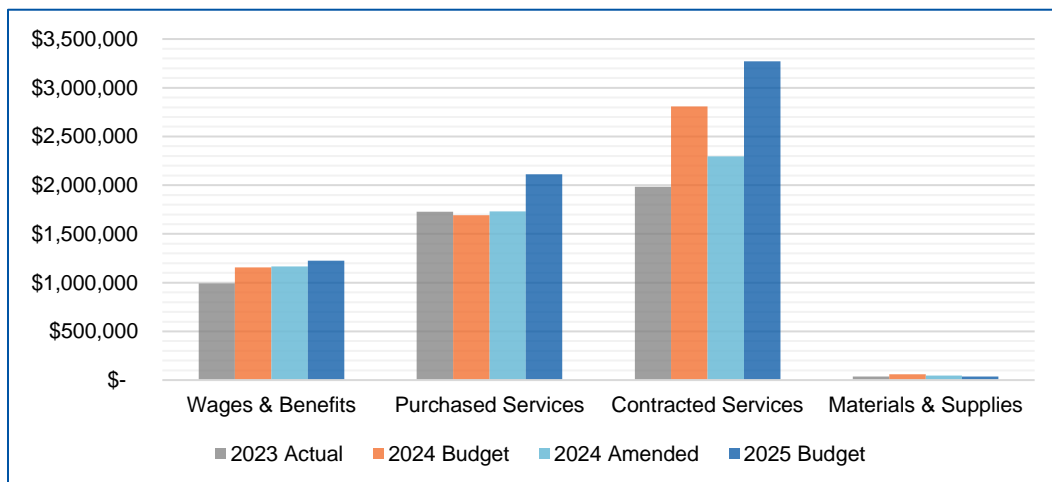
The Administration Department is led by the General Manager. Leadership and staff in this department are primarily responsible for the following:

- General leadership and management and implementation of policies set by the Board
- Responsible management of the District’s water supply and plan for future water needs
- Development of programs and services for the responsible use and conservation of water
- Creation and distribution of public information materials for citizen engagement

The table below shows the operating expenses for the Administration Department for 2023 actual, 2024 budget, 2024 amended, and 2025 adopted:

Expense Type	2023 Actual	2024 Budget	2024 Amended	2025 Adopted
Wages & Benefits	\$ 993,257	\$ 1,155,485	\$ 1,165,520	\$ 1,225,485
Purchased Services	1,728,899	1,691,605	1,731,983	2,112,933
Contracted Services	1,982,755	2,807,217	2,295,068	3,271,191
Materials & Supplies	37,871	59,600	47,100	36,600
Total	\$ 4,742,782	\$ 5,713,907	\$ 5,239,671	\$ 6,646,209

The graph below shows the allocation of operating expenses for the Administration Department for 2023 actual, 2024 budget, 2024 amended, and 2025 adopted:



The increased in contracted services is directly related to the increased cost of water leases as well as the cost of election services for the 2025 board of directors election.

HUMAN RESOURCES

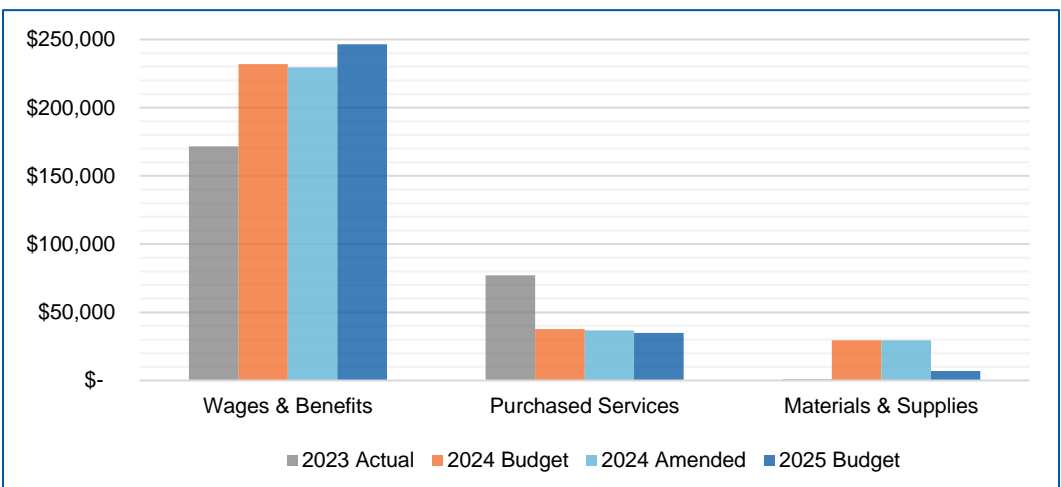
The Human Resources Department is lead by the Director of Human Resources and is shared with the Highlands Ranch Metro District, however there are certain costs incurred by the Department that are specific to the District. Leadership and staff in this department are primarily responsible for the following:

- Centralized recruitment of staff, coordination of the benefit programs, and payroll
- Coordination of in-house training and organizational development
- Management of safety procedures and safety education

The table below shows the operating expenses for the Human Resources Department for 2023 actual, 2024 budget, 2024 amended, and 2025 adopted:

Expense Type	2023 Actual	2024 Budget	2024 Amended	2025 Adopted
Wages & Benefits	\$ 171,683	\$ 231,870	\$ 229,630	\$ 246,460
Purchased Services	77,170	37,780	36,780	34,930
Materials & Supplies	849	29,500	29,500	7,000
Total	\$ 249,702	\$ 299,150	\$ 295,910	\$ 288,390

The graph below shows the allocation of operating expenses for the Human Resources Department for 2023 actual, 2024 budget, 2024 amended, and 2025 adopted:



The increase in wages and benefits is a result of the average annual increase, the increase in health insurance benefits, and the addition of an FTE in 2024.

PUBLIC WORKS

The Public Works Department is led by the Director of Public Works and certain staff are shared with the Highlands Ranch Metro District, however there are certain costs incurred by shared staff at are specific to the District. All costs incurred by non-shared staff are specific to the District.

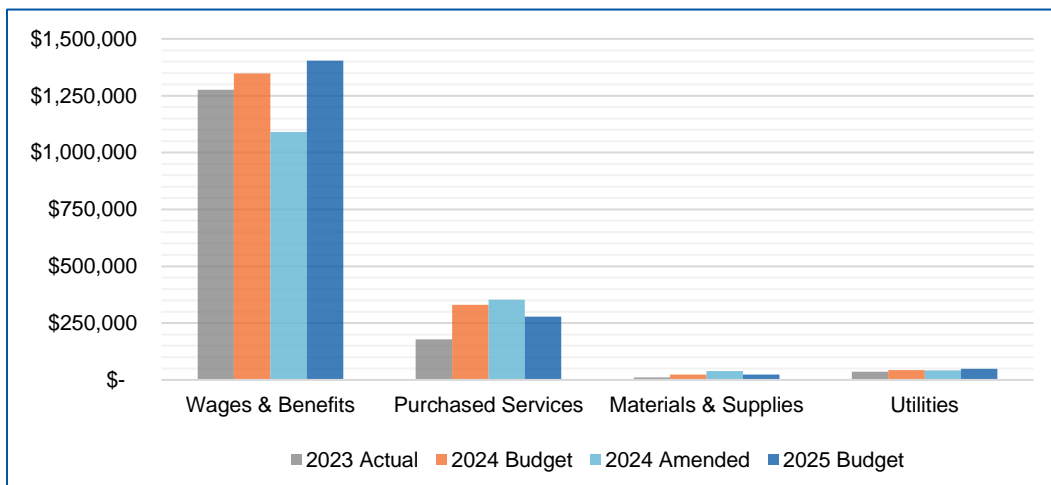
Leadership and staff in this department are primarily responsible for the following:

- Central direction, coordination, and supervision of engineering and contract administration
- Maintenance of accurate and complete geospatial data, enabling the Board and managers to make decisions impacting the future of the District in an informed and logical manner
- Facilitation of design and construction of capital and major repair projects

The table below shows the operating expenses for the Public Works Department for 2023 actual, 2024 budget, 2024 amended, and 2025 adopted:

Expense Type	2023 Actual	2024 Budget	2024 Amended	2025 Adopted
Wages & Benefits	\$ 1,276,327	\$ 1,348,551	\$ 1,090,541	\$ 1,404,293
Purchased Services	178,891	330,148	352,888	277,811
Contracted Services	-	-	-	-
Materials & Supplies	11,433	23,720	38,820	23,920
Utilities	36,933	44,000	42,000	48,500
Total	\$ 1,503,584	\$ 1,746,419	\$ 1,524,249	\$ 1,754,524

The graph below shows the allocation of operating expenses for the Public Works Department for 2023 actual, 2024 budget, 2024 amended, and 2025 adopted:



The increase in wages and benefits is due to the average annual increase combined with the increase in health insurance benefit costs. In 2024, the department had vacancy savings.

FINANCE

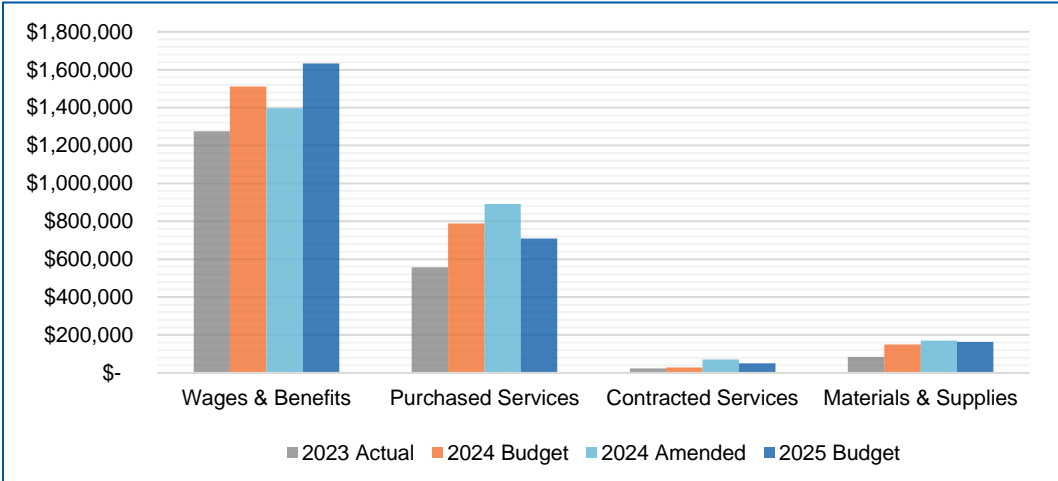
The Finance Department is lead by the Director of Finance and is shared with the Highlands Ranch Metro District, however there are certain costs incurred by the Department that are specific to the District. Leadership and staff in this department are primarily responsible for the following:

- Preparation of financial reports and coordination of the independent audit
- Direction of the third-party investment portfolio and management of debt activities
- Financial planning, preparation of long-range financial forecasts, and preparing the annual budget
- Management and coordination of IT systems and customer service

The table below shows the operating expenses for the Finance Department for 2023 actual, 2024 budget, 2024 amended, and 2025 adopted:

Expense Type	2023 Actual	2024 Budget	2024 Amended	2025 Adopted
Wages & Benefits	\$ 1,275,682	\$ 1,511,030	\$ 1,396,725	\$ 1,633,015
Purchased Services	556,842	788,490	891,860	708,700
Contracted Services	23,994	28,000	70,000	50,000
Materials & Supplies	84,805	150,760	169,760	164,260
Total	\$ 1,941,323	\$ 2,478,280	\$ 2,528,345	\$ 2,555,975

The graph below shows the allocation of operating expenses for the Finance Department for 2023 actual, 2024 budget, 2024 amended, and 2025 adopted:



The increase in wages and benefits is a result of the average annual increase, the increase to health insurance benefits, and vacancy savings in 2023 and 2024.

OPERATIONS

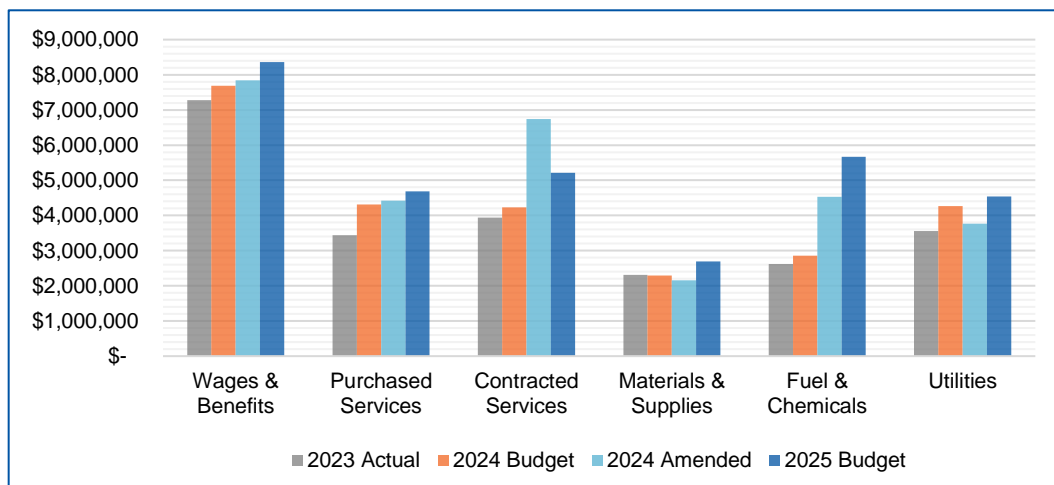
The Operations Department is led by the Director of Operations. Leadership and staff in this department are primarily responsible for the following:

- Management of wells, storage reservoirs and ground water supply
- Operation and maintenance associated with the transport of water through the distribution system and treatment of surface water sources to comply with the Safe Drinking Water Act
- Operation and maintenance of the District’s wastewater collection system including cleaning and emergency repairs to sewage transport facilities
- Preventative maintenance associated with capital equipment and facilities

The table below shows the operating expenses for the Operations Department for 2023 actual, 2024 budget, 2024 amended, and 2025 adopted:

Expense Type	2023 Actual	2024 Budget	2024 Amended	2025 Adopted
Wages & Benefits	\$ 7,275,147	\$ 7,692,525	\$ 7,842,623	\$ 8,360,705
Purchased Services	3,436,162	4,313,605	4,425,570	4,689,350
Contracted Services	3,942,053	4,234,985	6,744,738	5,211,097
Materials & Supplies	2,309,775	2,296,827	2,152,927	2,691,375
Fuel & Chemicals	2,620,816	2,858,935	4,531,139	5,665,498
Utilities	3,557,411	4,270,149	3,767,299	4,541,486
Total	\$ 23,141,365	\$ 25,667,026	\$ 29,464,296	\$ 31,159,511

The graph below shows the allocation of operating expenses for the Operations Department for 2023 actual, 2024 budget, 2024 amended, and 2025 adopted:



Increases to wages and benefits is due to wage and benefit cost increases. All other category increases are due to the increased costs in materials and services. Operations all anticipates using more treatment checmicals in 2025 than seen in prior years.

PERFORMANCE METRICS

Strategic Goal	Area of Operations	Measure	2023 Target	2023 Actual
Water Supply & Sustainability	Water Conservation	% of water sustainability incentive dollars rebated to customers	80%	100%
	Water Resources and Water Operations	Ratio of actual water loss due to leaks to expected losses	<=10%	7%
		Ratio of surface water diversions to total water demand	>=85%	119%
Human Health and Environmental Stewardship	Operations & Maintenance	Compliance with regulatory annual reporting	100%	100%
		Samples that comply with Safe Drinking Water Act Standards	100%	100%
		Effluent nitrogen samples below permit levels	100%	100%
		Effluent phosphorus samples below permit levels	100%	100%
Financial Stability	Finance	Actual billed revenues compared to projected revenues	>85%	92%
		Debt service coverage ratio	>=1.25x	1.69x
	All Departments	Actual expenses for operations compared to budget	<=98%	114%
Employee Engagement	Operations & Maintenance	Percentage of employees provided training and development essential to advance successful completion of job related certifications.	100%	100%
	Leadership and Human Resources	Engage staff through holding regularly occurring staff meetings, Employee Engagement Committee gatherings, and various educational opportunities.	>= 12/year	25
	Human Resources	Promote and engage staff to attend the annual employee health and wellness fair.	75% in attendance	90%
Stakeholder Partnerships	Communications	Community events participation	>= 6/year	10
	General Manager and Communications	# of citizens enrolled in the Citizen Engagement Committee	>=10/year	5
	District Senior Leadership	Regional Professional Organization Participation	>= 5 Orgs	9

CAPITAL IMPROVEMENT PLAN



SUMMARY

Capital, major repair, and water acquisition projects (referred together as “capital”) have a substantial impact to not only the overall quality of water and wastewater service delivery but also to the District’s financial resources. This Capital Improvement Plan (the “CIP”) provides a framework to comprehensively understand the overall infrastructure of the system and aids in prioritizing the projects needed to maintain the system to a high standard of safety, integrity, and excellence in service.

This CIP presents a 10-year capital plan across the various activities of the District, identifying and defining the capital projects that have a noteworthy impact on the financial resources and operations of the District. Projects for inclusion in the CIP come from a variety of sources including department requests, long-range strategic plans, the long-term capital replacement program, and regulatory requirements. As capital costs in the aggregate customarily exceed regularly recurring revenue, the District uses the CIP to plan for future financial needs such as increased fund transfers from the Operating Fund or other financial mechanisms such as debt or grants.

Due to changes in operational needs, regulations, and any other impactful event, projects identified in this document may be removed or deferred to future years. While the District acknowledges there are inherent risks in deferring projects, the District is operationally and fiscally responsible when prioritizing projects. The Capital Improvement Plan is updated annually to capture any year-over-year financial or other significant changes that may impact project timelines.

PROJECT PRIORTIZATION

During the annual budget process, the General Manager and staff meet to re-evaluate the CIP. Together they analyze the previous year’s identified projects to determine if any changes need to be made. To make these determinations they review:

1. Changes in financial resources available for capital projects
2. Changes in project costs due to inflation and/or change in scope
3. Events that occurred during the year that warrant a new (or accelerated) project
4. Any regulatory changes requiring accelerated capital improvements
5. Any change to water supply needs

During this process, the group will also review changes to on-hand and projected financial resources by inputting the updated CIP costs into a forecast model. The model shows if the District’s financial resources can absorb all project costs within a water and wastewater rate increase that is justifiable to customers and the Board. If more financial resources are needed, there are two options:

1. Re-prioritize projects in the CIP
2. Identify ways the District can augment financial resources

District staff presents the final CIP schedule and forecast model to the Board during their November budget workshop where, utilizing staff feedback, the board can review the CIP schedule and provide direction regarding project prioritization.

MAJOR CAPITAL PROJECTS

The sections below provide a narrative detail on notable capital and major repair projects. For a full list of projects, see pages 80-82.

THE JOSEPH B. BLAKE WATER TREATMENT PLANT (JBWTP)

The JBWTP was constructed in 1986 and then expanded and upgraded in 1999. The Plant is a conventional surface water treatment facility and is located at the northwest corner of Highlands Ranch just south of C-470 on the south side of Plaza Drive.

Primary raw-water sources come from the South Platte River (including some local South Platte alluvial groundwater) and groundwater from a Laramie-Fox Hills aquifer well located near the forebay of the Plant. The District uses the Chatfield Reservoir water storage facility (permanent storage space granted by the US Army Corps of Engineers), the South Platte Reservoir (owned by the District) and McLellan Reservoir (leased through the City of Englewood) to store raw water.

Upon completion of several projects currently identified in the 10-year CIP, the JBWTP will meet the maximum day demand (MDD) required after the District's service boundaries are at 100 percent buildout. This will maximize flexibility of available water resources by allowing MDD to be met wholly from surface water sources. Other water resources, such as WISE water or groundwater, are available to meet the community's needs during severe drought or during winter months if the District needs to take the JBWTP off-line to accommodate maintenance, repairs, and/or construction projects.

JBWTP CAPITAL PROJECTS OVERVIEW

Staff have established the ultimate goal of achieving a reliable maximum treatment capacity of 35-40 million gallons per day (MGD). In 2018, the District commissioned a Water Treatment Utility Plan (WTUP) for the purpose of evaluating the condition of existing equipment and the effectiveness of each treatment process, providing design recommendations, and developing conceptual cost estimates for improvements that would enable the District to achieve its core values.

The WTUP outlined five (5) sequential design and construction phases intended to achieve capacity goals while maintaining compliance with anticipated regulatory requirements. After an evaluation of project financing, the District determined that Phase 1 would be more financially viable if it was split into two phases: 1A and 1B. Additionally, Phase 5 of the WTUP improvement project is currently deemed unnecessary under existing regulatory requirements, however staff evaluates this annually.

PHASE 1A

This Phase focuses on the modification of existing pre-treatment processes, providing a system that meets the minimum Colorado Department of Public Health and Environment (CDPHE) flocculation hydraulic retention time requirements and improves settled water turbidity (a measure of the clarity of a liquid) by replacing existing tube settlers with plate settlers. Additionally, this project includes the in-kind replacement of raw water piping and flow control. These upgrades will allow JBWTP to produce 30 MGD of potable water reliably.

In March 2020, the District selected Carollo Engineers, Inc. for engineering design. In January 2021, the District awarded construction to Garney Companies, Inc. The project was completed in the 2nd quarter of 2024 at a cost of \$22.2 million.

PHASE 1B

This phase consists of constructing a new chemical building (and related feed lines), which will allow the District to reliably store chemicals for up to 30 days. Additionally, the power system will be upgraded with a replacement backup generator and power feed due to aging infrastructure concerns. Improvements to HVAC in the pre-treatment facility and SCADA network modernization are also included in the project. These upgrades will allow the WTP to continue to produce 30 MGD of potable water reliably.

The design work on this project began in the fall of 2023, and the District awarded a “Construction Manager at Risk” (CMAR) contract to Garney Companies, Inc. in February 2024. Construction time is estimated to bring improvements online at the beginning of the 2026 water season. The project is currently budgeted in the CIP at a cost of \$56.5 million.

PHASE 2 AND PHASE 3

Prior to the 2025 CIP, Phase 2 and Phase 3 were broken out into two separate projects. Identifying the ability to save on costs and time by combining the phases, the 2025 CIP has now combined these projects as one. The components of the project consist of the following:

- Upgrading the filtration system and the chlorine contact basin (CCB), which will allow the Plant to produce 35 MGD of potable water reliably:
 - Converting to a deep-bed configuration with larger diameter media, allowing filters to operate at a higher hydraulic loading rate (HLR) of 8 gallons per minute per square foot, or greater
 - Modifying the Filter Effluent Structure to increase the available head through the filters
 - Improving the backwash system to allow the filters to be adequately cleaned following a filter backwash
- Improvements to the CCB include modifications to accommodate a backwash water supply, a new Backwash Supply Pump Station, and an improved baffling factor for the basin so that it can be rated for the Plant’s full capacity of 40 MGD. The CCB Upgrades include the following components:
 - Inner-basins walls will be partially demolished to convert into a single basin at all operating water levels within the tank
 - Construction of concrete walls at the first row of support columns to create a separate and independent backwash supply volume while keeping an unchlorinated water volume for the backwash supply
 - Construction of perpendicular baffling walls to create an approximate 44:1 length to width flow path, and with baffled inlets and outlets to the CT (concentration * contact time) volume, to receive a rated baffling factor of 0.6
 - Addition of chlorine and ammonium sulfate feeds directly into the CCB in lieu of the finished water pumping headers
- Upgrades to Zone 1 (constructed in 2001) and Zone 2 (constructed in 1987) pump stations, allowing for 40 MGD of reliable potable water delivery to the distribution system. Additionally, the backup power system for these pump stations will be upgraded through the replacement of the backup generator.

- Pump Stations - the nature of the project is conducive to phased upgrades to the pump stations and isolating individual parts of the project for completion, such as addition of the Zone 1 surge tank and replacement of the damaged discharge header. The JBWTP can be off-line for approximately five months during the winter shut down period and, during this time, the District relies on groundwater resources available to the District. Initial portions of the Zone 1 and Zone 2 Pump Stations improvements can only be completed while the pump station is offline, which in turn means the Plant cannot supply water to the distribution system.
- Backup Power - involves the replacement of the existing site backup power consisting of a single 420 kW generator with power systems of adequate capacity to run the entire JBWTP. Multiple configurations were evaluated for the backup power system and it was determined that a single generator system is infeasible due to the required size of the resulting generator. The WTUP suggests three independent generators with individual auto-transfer switching for each generator.

Other upgrades are planned to improve the operability of the filters. Once pre-oxidation is implemented at the JBWTP, the filters will operate in a biologically active filtration mode.

Project design is anticipated to begin in 2025 with the project bid going out in 2026 for a 2029 completion date. The project is currently budgeted in the CIP at an estimated cost of \$96 million.

MARCY GULCH WASTEWATER TREATMENT PLANT (MGWWTP)

The MGWWTP is located southeast of Highway 85 and the C-470 intersection. The plant was constructed in 1984 and underwent major facility upgrades in 2000, 2002, and 2014. The plant discharges to Marcy Gulch, which then flows northwest into the South Platte River just upstream of the C-470 bridge crossing the river. In addition to flows from its service area, the MGWWTP receives treatment residuals from the JBWTP via the collection system.

PHASE 2

The MGWWTP Phase II Improvements consist of complex and time sensitive modifications to the existing treatment facility that will enable the plant to comply with new regulatory discharge requirements. Award of Construction for Phase II was approved in January 2019 and the project has an estimated completion in Spring 2025 at an estimated cost of \$86.5 million.

Key elements of the Phase II project include:

- Construction of a new Blower Building and conversion of existing Blower Building to a new Chemical Feed building
- Construction of a UV building and a Biosolids Hopper building
- Rehabilitation of the Digester Control building, the Headworks, and the Dewatering building
- Construction of two Activated Sludge Basins and renovation of the four existing basins
- Construction of a RAS Fermenter and renovation of the RAS/WAS Pump Station
- Additional construction includes a Cascade Aerator, Gas Holder, Primary Effluent Flow Split Structure, and Mixed Liquor Flow Split Structure
- Rehabilitation of the existing Secondary Clarifiers and East and West Anaerobic Digesters
- Installation of new sitewide electrical and SCADA control systems

PHASE 3

In 2012, the CDPHE Water Quality Control Division (“WQCD”) adopted a new standard for nitrogen and phosphorus levels in certain lakes and reservoirs. If adopted as written, the standard would have applied to the District’s required protection of Barr Lake’s water quality. However, in April 2023, the Colorado Water Quality Control Commission held a rulemaking hearing to consider the final adoption of this regulation and elected to defer the requirement until 2027. WQCD has signaled that they will work with the District to develop a site-specific standard as opposed to requiring infrastructure for reverse osmosis treatment, which was initially anticipated to be the obligation. As the standard is still imminent, the District will have to continue to plan for this capital cost, most likely sometime after 2033.

GROUNDWATER TREATMENT PLANTS AND WELLS

The Groundwater System is designed to meet two main goals: (1) supply indoor demand during the winter season while the JBWTP is offline in the event of required maintenance, repair, and/or construction projects, and (2) provide drought protection during times of limited surface water availability.

The District currently utilizes 33 potable and 5 alluvial wells to serve the community in its daily operations. Well redrills allow the District to continue using adjudicated groundwater when existing infrastructure is at the end of its useful life. They can improve well performance and will help create additional water yield. There are four planned redrills in the 10-year plan at an estimated cost of \$11 million. Additionally, the CIP has \$8.8 million budgeted for alluvial well treatment beginning in 2026.

DISTRIBUTION SYSTEM

The Distribution System is designed to deliver the required flow, storage, and minimum pressures as required for average daily demand, MDD, peak hourly demand, and fire flows for build-out conditions. The transmission and distribution system is designed as a looped system for maximum system reliability.

The ultimate goal is to have two distribution tanks per zone, however only two zones currently meet this goal. The pump stations are designed with an N+1 philosophy (i.e. there are sufficient pumps to meet MMD plus one additional pump for redundancy) to ensure reliability of the system. The District currently utilizes 14 pump stations and eight distribution tanks that are spread throughout the District.

The CIP currently identifies multiple capital projects, the most notable ones being:

MCLELLAN B PUMP STATION RENOVATION

McLellan B Pump Station was constructed in 1999 and is one of two stations that move raw water to the JBWTP. Without this station, the District is unable to blend water from different sources that feed McLellan Reservoir prior to pumping it to the treatment plant. The station currently has a capacity of 22 MGD from two electric pumps, and a backup capacity of 22 MGD from two diesel pumps. This project will replace the two diesel pumps and other aging infrastructure. Project elements include: (1) replacement of two diesel pumps with electric pumps, (2) addition of a backup generator, (3) replacement/repair of aging electrical, mechanical, and structural elements. The district has budgeted \$350,000 million for this project in 2025 and \$3.5 million in 2026.

ZONE 4A PUMP STATION

Zone 4A Pump Station was constructed in the early 1980s and is one of the two main stations that provide potable water to Zone 4. Without this station, the District is unable to distribute enough water to Zone 4, 5, and 6 to meet system demand from the JBWTP. Project elements include the replacement

of: (1) the existing power feed, (2) the motor control center, (3) the backup generator, (4) suction and discharge valves, and (5) pumps. Additionally, upgrades are further necessary to meet current design criteria. The district has budgeted \$4 million in 2032.

COLLECTION SYSTEM

The District's collection system is primarily made up of lift stations which are strategically located within the wastewater conveyance system. Lift stations, typically located in low points, receive flows conveyed from the gravity sewer collection system. The lift station then collects and pumps the wastewater flows uphill, through a pressurized force main, to a discharge point where the flows transition back to a gravity conveyance transmission main. The District currently has six lift stations in operation throughout the service area. There are currently two major capital projects identified in the CIP. They are:

BIG DRY LIFT STATION UPGRADE

Constructed in the mid-1980s, the lift station needs an upgrade to be able to meet current design criteria and to replace aging infrastructure. Project elements include:

- Upgrade of the existing power feed and the motor control center
- Replacement of the backup generator
- Additional process equipment is needed to minimize wet-well cleaning and grease buildup
- An emergency storage system to meet current CDPHE design criteria

The current estimated cost is \$10.5 million to begin in 2029.

WILLOW CREEK LIFT STATION UPGRADE

Constructed in the mid-1980s, the lift station needs an upgrade to be able to meet current design criteria and to replace aging infrastructure. Project elements include:

- Upgrade of the existing power feed and the motor control center
- Replacement of the backup generator
- Replacement of control building
- To combat odor, potential replacement of the chemical feed system
- Additional process equipment is needed to minimize wet-well cleaning and grease buildup
- An emergency storage system to meet current CDPHE design criteria

The project is estimated to begin in 2030 at an estimated cost of \$7.5 million.

WATER ACQUISITION

The District depends on a combination of surface water and groundwater to provide reliable service to our customers which, in most years, is more than sufficient to meet annual demand. The District has conducted internal planning to provide a framework for the District's water use to meet long-term reliability and sustainability goals, keeping in mind the financial resources available to support the Water Acquisition CIP. Through analyzing 40 years of water delivery to District customers, staff found that surface water vulnerabilities include, but are not limited to:

- the reliance on leased water
- the lack of ownership and/or control over 3rd party providers' water facilities

- financial resources available for capital acquisition
- regulatory requirements for reservoir water quality treatment

WATER INFRASTRUCTURE AND SUPPLY EFFICIENCY (WISE)

The driving forces for the District's participation in WISE are summarized as:

- To obtain additional surface water supplies at up to 1,000AF per year
- To further diversify water sources thus reducing water acquisition costs
- To obtain an additional avenue where treated water can be delivered to the system for redundancy

As of December 31, 2023, the District has contributed \$10.5 million in shared capital costs, \$1.4 million in operational dues, and \$5.3 million in water costs. Additionally, the District spent \$587,000 of direct capital costs for the construction of the WISE interconnect.

Each year, the District must continue providing resources for on-going capital costs to the system as well as the operation of the system. In the next 10 years, the District will have a financial obligation for the construction of the DIA connection and other Salinity Management capital projects.

ADDITIONAL WATER INFRASTRUCTURE

The District has gradually developed a proven conjunctive use approach to providing reliable water service to its customers over the past 40 years. The system has strengths and vulnerabilities, but this approach has met the District's obligation of providing safe and reliable water supply. Looking into the future, the District is mindful that the requirement to find additional water supply avenues is very likely. As such, staff are always looking ahead for opportunities that may exist to ensure water supply requirements are reliability available.

ADDITIONAL PROJECTS

SUPERVISORY CONTROL AND DATA ACQUISITION (SCADA) SYSTEM

The SCADA system provides information and controls for the entirety of the system. SCADA is comprised of instruments, transmitters, Programable Logic Controllers, radios, network devices, servers, and other components needed to automate and monitor all aspects of the water and wastewater system. The SCADA system is critical to the District's mission and must function continuously for the District to provide reliable water and wastewater service to the community. The current system is aging, and critical components are no longer supported by most manufacturers. A SCADA Master Plan is needed to determine an overarching philosophy for how the system will function into the future.

The CIP has identified \$900,000 for this plan will detail, 1) level of service goals and uptime requirements, 2) standardization, 3) mode and media communication type per site, 4) telemetry structure, and 5) bandwidth requirements.

FACILITIES IMPROVEMENTS

The District's administrative office building is aging and needs periodic repairs. The 2025 CIP anticipates replacing one of the boilers and the elevator. These projects have a combined cost of \$210,000.

**10 YEAR CAPITAL IMPROVEMENT PLAN
AMOUNTS SHOWN IN ANTICIPATED CASH OUTFLOWS**

Consolidated Schedule	2024	2025	2026	2027	2028	2029-2033	Total
Vehicles & Equipment	\$ 600,000	\$ 930,000	\$ 1,450,000	\$ 1,350,000	\$ 1,525,000	\$ 7,725,000	\$ 13,580,000
Water Treatment Plant	21,170,303	32,959,000	22,259,000	44,000,000	57,000,000	4,000,000	181,388,303
Wastewater Treatment Plant	10,063,101	3,500,000	250,000	2,500,000	-	-	16,313,101
Groundwater Plant and Wells	35,728	815,000	4,050,000	8,250,000	2,500,000	6,000,000	21,650,728
Distribution System	1,290,000	1,350,000	3,850,000	785,000	200,000	7,600,000	15,075,000
Collection System	904,067	-	500,000	-	-	18,000,000	19,404,067
Water Acquisition	-	-	130,000	6,435,000	15,695,000	20,695,000	42,955,000
Additional Projects	-	610,000	300,000	200,000	-	-	1,110,000
Total Consolidated Schedule	\$ 34,063,199	\$ 40,164,000	\$ 32,789,000	\$ 63,520,000	\$ 76,920,000	\$ 64,020,000	\$ 311,476,199

Vehicles & Equipment	2024	2025	2026	2027	2028	2029-2033	Total
Vehicles	\$ 100,000	\$ 160,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 1,350,000	\$ 2,360,000
WTP Equipment	-	-	100,000	100,000	100,000	500,000	800,000
WWTP Equipment	-	-	50,000	50,000	50,000	250,000	400,000
Field Equipment	-	-	100,000	100,000	100,000	500,000	800,000
Well Equipment	500,000	600,000	600,000	600,000	600,000	3,000,000	5,900,000
Curb Box Maintenance Trailer	-	90,000	-	-	-	-	90,000
6" Submersible Maintenance Pump	-	80,000	-	-	-	-	80,000
Dump Truck	-	-	350,000	-	-	-	350,000
Lab- Gas Chromatigraph	-	-	-	250,000	-	-	250,000
Future Years New Equipment	-	-	-	-	425,000	2,125,000	2,550,000
Total Vehicles & Equipment	\$ 600,000	\$ 930,000	\$ 1,450,000	\$ 1,350,000	\$ 1,525,000	\$ 7,725,000	\$ 13,580,000

Water Treatment Plant	2024	2025	2026	2027	2028	2029-2033	Total
Phase 1a	\$ 3,528,886	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,528,886
Phase 1b	17,261,042	24,959,000	14,259,000	-	-	-	56,479,042
Phase 2 and 3	-	8,000,000	8,000,000	44,000,000	32,000,000	4,000,000	96,000,000
Zone 1 Pump Replacement	200,000	-	-	-	-	-	200,000
Operations Building Renovation	180,375	-	-	-	25,000,000	-	25,180,375
Total Water Treatment Plant	\$ 21,170,303	\$ 32,959,000	\$ 22,259,000	\$ 44,000,000	\$ 57,000,000	\$ 4,000,000	\$ 181,388,303

**10 YEAR CAPITAL IMPROVEMENT PLAN
AMOUNTS SHOWN IN ANTICIPATED CASH OUTFLOWS**

Wastewater Treatment Plant	2024	2025	2026	2027	2028	2029-2033	Total
Headworks Equipment Replacement	\$ -	\$ 3,500,000	\$ -	\$ -	\$ -	\$ -	\$ 3,500,000
MGWWTP Phase II- Reg 85	10,063,101	-	-	-	-	-	10,063,101
Marcy Gulch Site Improvements	-	-	250,000	2,500,000	-	-	2,750,000
Total Wastewater Treatment Plant	\$ 10,063,101	\$ 3,500,000	\$ 250,000	\$ 2,500,000	\$ -	\$ -	\$ 16,313,101

Groundwater Plant and Wells	2024	2025	2026	2027	2028	2029-2033	Total
Well A1-R	\$ 35,728	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 50,728
Well Redrill Denver Field	-	-	2,500,000	-	-	3,000,000	5,500,000
GWTP #1 Filter Valve Replacement	-	-	750,000	-	-	-	750,000
Well Redrill Arapahoe Field	-	-	-	-	2,500,000	3,000,000	5,500,000
Well Connection Project	-	-	-	250,000	-	-	250,000
Alluvial Well Treatment	-	-	800,000	8,000,000	-	-	8,800,000
Monitoring Wells	-	800,000	-	-	-	-	800,000
Total Groundwater Plant and Wells	\$ 35,728	\$ 815,000	\$ 4,050,000	\$ 8,250,000	\$ 2,500,000	\$ 6,000,000	\$ 21,650,728

Distribution System	2024	2025	2026	2027	2028	2029-2033	Total
Cline Headgate Renovation	\$ 90,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ 590,000
Cathodic Protection Assessment	350,000	-	350,000	300,000	-	-	1,000,000
Distribution System Master Plan Update	400,000	-	-	400,000	-	-	800,000
McLellan B Pump Station Renovation	350,000	350,000	3,500,000	-	-	-	4,200,000
De-Strat Compressor for McLellan	100,000	-	-	-	-	-	100,000
SPPS Valve Replacement	-	220,000	-	-	-	-	220,000
Distribution Tank Vent Replacement	-	280,000	-	-	-	-	280,000
Cline Delayed Return Flow Facility	-	-	-	-	200,000	1,500,000	1,700,000
Zone 5 Surge Anticipator Valve	-	-	-	85,000	-	-	85,000
McLellan A Pump Station	-	-	-	-	-	2,000,000	2,000,000
Zone 4A pump station	-	-	-	-	-	4,000,000	4,000,000
Zone 6 Surge Anticipator Valve	-	-	-	-	-	100,000	100,000
Total Distribution System	\$ 1,290,000	\$ 1,350,000	\$ 3,850,000	\$ 785,000	\$ 200,000	\$ 7,600,000	\$ 15,075,000

**10 YEAR CAPITAL IMPROVEMENT PLAN
AMOUNTS SHOWN IN ANTICIPATED CASH OUTFLOWS**

Collection System	2024	2025	2026	2027	2028	2029-2033	Total
Big Dry Lift Station Bypass Pump	\$ 13,767	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,767
Bluffs Lift Station Generator	25,946	-	-	-	-	-	25,946
MGLS	37,031	-	-	-	-	-	37,031
Mirabelle Service Project	227,322	-	-	-	-	-	227,322
Marina Lift Station	100,000	-	-	-	-	-	100,000
Collections System Master Plan	500,000	-	500,000	-	-	-	1,000,000
Big Dry Lift Station Upgrades	-	-	-	-	-	10,500,000	10,500,000
Willow Creek Lift Station	-	-	-	-	-	7,500,000	7,500,000
Total Collection System	\$ 904,067	\$ -	\$ 500,000	\$ -	\$ -	\$ 18,000,000	\$ 19,404,067

Water Acquisition	2024	2025	2026	2027	2028	2029-2033	Total
WISE SM Pilot Study	\$ -	\$ -	\$ 80,000	\$ -	\$ -	\$ -	\$ 80,000
WISE SM Design and Construction	-	-	-	935,000	10,695,000	10,695,000	22,325,000
City Pump Station Improvements	-	-	-	500,000	-	-	500,000
South Platte Wellfield #1	-	-	50,000	-	-	5,000,000	5,050,000
Acquisition of Surface or Ground Water	-	-	-	5,000,000	5,000,000	5,000,000	15,000,000
Total Water Acquisition	\$ -	\$ -	\$ 130,000	\$ 6,435,000	\$ 15,695,000	\$ 20,695,000	\$ 42,955,000

Additional Projects	2024	2025	2026	2027	2028	2029-2033	Total
SCADA System Master Plan	\$ -	\$ 400,000	\$ 300,000	\$ 200,000	\$ -	\$ -	\$ 900,000
Facilities Improvements	-	210,000	-	-	-	-	210,000
Total Additional Projects	\$ -	\$ 610,000	\$ 300,000	\$ 200,000	\$ -	\$ -	\$ 1,110,000

APPENDIX



APPENDIX 1 - GLOSSARY

ADOPTED BUDGET

The budget adopted by the Board of Directors by December 15th. The adopted budget becomes effective annually as of January 1st and appropriations lapse at year end.

APPROPRIATION

Money set aside for a specific purpose.

ASSETS

Economic resources owned by a government.

BALANCED BUDGET

Planned expenditures are equal to estimated net revenues and appropriated fund balances.

BUDGET

A financial plan, which includes an estimate of expenditures for a given period or purpose and proposed means of financing the estimated expenditures.

CAPITAL EXPENDITURES

A capital expenditure is any physical resource that benefits a department for more than three years and has a unit cost in excess of \$25,000 for improvements. Capital expenditures include funds expended for land, water rights, building and improvements, improvements other than buildings, and equipment.

CAPITAL OUTLAY

A capital expenditure either adds a fixed asset unit or increases the value of an existing fixed asset.

CAPITAL PROJECTS

Expenditures that are non-operating in nature and are generally a major improvement or acquisition of equipment or property. These projects may or may not meet the capitalization policy of the District.

DEPARTMENT

A major division of the District, which indicates overall management responsibility for a component of the organization.

EQUIPMENT

Equipment includes tangible property which is not permanently built into a building, does not lose its identity through incorporation into a more complex unit, has a unit cost in excess of \$15,000 and an estimated useful life of three or more years. Equipment includes machinery, office furniture, computers, vehicles and miscellaneous fixtures.

EXPENDITURE

This term refers to the outflow of funds paid or to be paid for an asset or goods and services obtained regardless of when the expense is actually paid.

FUND

An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

FUND BALANCE

The excess of a governmental fund's assets and revenues over its liabilities, reserves, and expenditures at the close of the fiscal year.

OPERATING EXPENDITURES

An expense incurred in transacting normal operations.

OPERATING REVENUE

Revenue from any regular source.

POLITICAL SUBDIVISION

A county, city, town, or other municipal corporation, a public authority, and generally any publicly owned entity that is an instrumentality of a state or of a municipal corporation.

PROPOSED BUDGET

The budget document submitted to the Board of Directors for review before it is approved and adopted.

RESTRICTED FUND BALANCE

Fund balance that is restricted when there are limitations imposed on its use either through the enabling policy adopted by the District or through external restrictions imposed by creditors, grantors, or regulation of the other governments.

SFE

Acronym for single-family equivalent, which represent a 3/4" tap.

TARGET FUND BALANCES

A minimum level fund balance established by the Board with the primary objective of a fund balance that maintains adequate resources to cope with contingencies.

APPENDIX 2 FINANCIAL POLICIES

In addition to the numerous financial policies adopted internally by management, the Board of Directors has established financial policies for budget procedures, fund balances, transfers, investments, purchasing, and compensation.

BUDGET PROCEDURES

The District's budget procedures shall comply with Local Government Budget Law of Colorado as outlined in Colorado Revised Statutes (C.R.S.) Title 29 Article 1 Part 1 Budget Services Part 1, for the preparation, consideration, adoption execution and audit of the annual budget. The budget shall be balanced by fund. The budget will be considered balanced if:

1. Estimated revenues and resources for each fund will equal or exceed recommended appropriations
2. Fund balances meet or exceed the targeted ending fund balances established by the Board

FUND BALANCES

Targeted ending fund balances for the Operating Fund will continue to maintain a fund balance (effectively working capital) equal to at least fifty percent of the next year's estimated operating expenses.

Ending fund balance in the Debt Service Fund is equal or greater to the next year's debt service payments.

INVESTMENT POLICY

Colorado State Statutes specify investment instruments used by local governments must meet defined risk criteria. The District has adopted an investment policy that is more restrictive than the State Statutes and is limited to:

1. U.S. Treasury Obligations: Treasury Bills, Treasury Notes, and Treasury Bonds with a final maturity not exceeding five years from the date of purchase and U.S. Treasury STRIPS with maturities not exceeding five years from the date of purchase.
2. Federal Instrumentality Securities: Debentures, discount notes, and callable securities with a final maturity not exceeding five years from the date of purchase issued by the following: Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), and Student Loan Marketing Association (SLMA).
3. Repurchase Agreements, executed subject to an approved Master Purchase Agreement, with a termination date of 90 days or less collateralized by U.S. Treasury Securities listed above with maturities not exceeding ten years.
4. Corporate Debt: debt issued by any corporation or bank organized and operating within the United States with a maturity not exceeding three years from the date of trade settlement. The debt must be rated at least AA- or the equivalent at the time of purchase by at least two NRSROs and rated not less than AA- by any Nationally Recognized Statistical Rating Organization (NRSRO) that rates it. District shall limit investments in Corporate Debt to no more than 25 percent of the total portfolio and 5 percent per issuer.

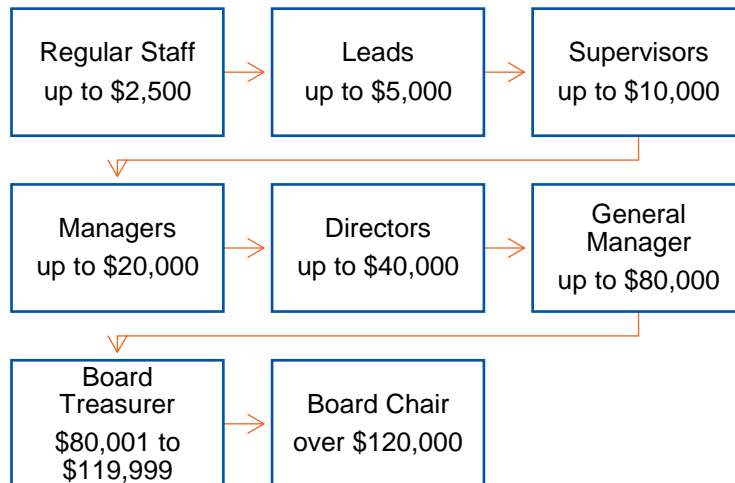
5. Prime Commercial Paper with an original maturity of 180 days or less which is rated at least A-1 by Standard & Poors or P-1 by Moody's at the time of purchase by each service which rates the commercial paper.
6. Eligible Bankers Acceptances with original maturities not exceeding 180 days, issued on domestic banks whose senior long-term debt is similar to 4 above; that have a combined capital and surplus of at least \$250,000,000; and have deposits insured by the FDIC.
7. Local Government Investment Pools authorized under CRS 24-75-701 and 702.
8. Money Market Mutual funds which have a rating of AAA by Standard and Poors or AAAm by Moody's.

PURCHASING GUIDELINES

Purchasing Guidelines are intended to ensure that purchases are made in accordance with good business practices while streamlining necessary administration. The Purchasing Guidelines were first implemented in the early 1980's and were most recently revised on July 25, 2023.

The Purchasing Guidelines set the structure for delegated authority, levels for obtaining bids, and allowable purchases. In all circumstances, approvals cannot take place unless sufficient funds have been appropriated for the project by the Board of Directors. Any adjustment to the appropriations must also be presented to the Board of Directors for approval.

The Purchasing Guidelines also set forth the amount of delegated authority staff members have for individual transactions. The flow of approvals is as follows:



COMPENSATION PLAN

The Board has established guidelines for determining wage compensation, utilizing a matrix formula to calculate average wage increases. The Board's objective is to administer salary changes fairly and consistently for all types of increases. To meet this objective the Board has provided staff with the following guidelines:

- Produce a compensation plan, which is consistent with the budget expectations found in the annual budget

- Attract and retain quality employees
- Ensure market competitiveness by targeting the level of compensation to be at or slightly above market, accomplished by assigning ranges so that our midpoint falls within a range of 100% to 105% of the surveyed midpoint
- Ensure consistency by establishing a list of organizations for benchmark market comparison that will be used consistently over time for each category
- Within budget constraints, treat employees fairly
- Treat exempt and non-exempt employees comparably

The District benefit package offers benefits that are comparable with that offered by other local governments. There are no changes to benefit levels in the 2025 budget. The budget increase reflects the anticipated increase in premium costs.

To provide cost effective benefits, the Board has authorized the following:

1. Participation with Centennial Water and Sanitation District in a defined contribution retirement plan which is in lieu of participation in social security and the contribution is the same 6.2% as would be contributed to social security.
2. A 457 plan that allows for matching of employee contributions of up to 6% by the District depending on the employee's contribution level. In 2023, the matching structure increased to 100% on the first 3% of employee contributions and 50% on the next 6% for a maximum 6% match on an employee's 9% contribution.
3. Medical, dental and vision plans offered in conjunction with the Special District Association via the Colorado Educational Benefit Trust. These plans have historically provided premium increases less than the market. The medical plans that are offered are fully compliant with the Affordable Care Act.

APPENDIX 3 SCHEDULE OF FTE

	2024 Budget	2024 Actual	Variance	2025 Adopted	Adjust for Shared Staff
OPERATIONS AND MAINTENANCE MANAGEMENT					
Director, Water/Wastewater Operations	1.000	1.000	-	1.000	1.000
Superintendent, Field Operations and Maintenance	1.000	1.000	-	1.000	1.000
Superintendent, Water and Wastewater	1.000	1.000	-	1.000	1.000
Superintendent, Facilities Maintenance and Asset Management	1.000	1.000	-	1.000	1.000
Business Support	4.000	4.000	-	4.000	4.000
Regulatory Compliance Coordinator	1.000	1.000	-	1.000	1.000
WATER AND WASTEWATER OPERATIONS					
SCADA Supervisor	1.000	1.000	-	1.000	1.000
SCADA Lead Technician	1.000	1.000	-	1.000	1.000
SCADA Technicians	3.000	3.000	-	3.000	3.000
Lead Operators	2.000	2.000	-	2.000	2.000
WTP Plant Operators	5.000	5.000	-	5.000	5.000
WWTP Operators	6.000	5.000	(1.00)	5.000	5.000
Process Control Operator	-	1.000	1.00	1.000	1.000
FACILITIES MAINTENANCE AND ASSET MANAGEMENT					
Lead Maintenance Mechanic	2.000	2.000	-	2.000	2.000
Maintenance Mechanic	5.000	5.000	-	5.000	5.000
Maintenance Worker	1.000	1.000	-	1.000	1.000
Field Operations Lead	1.000	1.000	-	1.000	1.000
Field Operators	5.000	5.000	-	5.000	5.000
Field Instrument Technician	1.000	1.000	-	1.000	1.000
FIELD OPERATIONS AND MAINTENANCE					
Lead Collections & Distribution	1.000	1.000	-	1.000	1.000
Collections & Distribution Mechanics	10.000	10.000	-	10.000	10.000
Lead Meter Technician	1.000	1.000	-	1.000	1.000
Meter Technicians	8.000	8.000	-	8.000	8.000
Lead Meter Reader	1.000	1.000	-	1.000	1.000
Meter Readers	1.000	1.000	-	1.000	1.000
LABRATORY					
Laboratory Supervisor	1.000	1.000	-	1.000	1.000
Water Quality Analysts	4.000	4.000	-	4.000	4.000
WATER RESOURCES					
Water Resource Manager	1.000	1.000	-	1.000	1.000
Water Rights Administrator	1.000	1.000	-	1.000	1.000
Water Resources Analyst	1.000	1.000	-	1.000	1.000
Water Facility Caretaker	0.200	0.20	-	0.200	0.200
Water Efficiency Coordinator	1.000	1.000	-	1.000	1.000

**HIGHLANDS RANCH WATER AND SANITATION DISTRICT
2025 ADOPTED BUDGET**

	2024 Budget	2024 Actual	Variance	2025 Adopted	Adjust for Shared Staff
PUBLIC WORKS					
Director - Public Works	*	*	-	*	0.500
Project Manager	1.000	1.000	-	1.000	1.000
Project Engineer	2.000	2.000	-	2.000	2.000
Utility Inspector	1.000	1.000	-	1.000	1.000
GIS Supervisor	1.000	1.000	-	1.000	1.000
GIS Program Analyst	1.000	1.000	-	1.000	1.000
Office Management/Business Support	**	**	-	**	1.000
Building Maintenance	1.000	1.000	-	1.000	1.000
Contract Administrator	*	*	-	*	0.500
Receptionist	*	*	-	*	0.500
GENERAL MANAGMENT					
General Manager	1.000	1.000	-	1.000	1.000
Executive Assistant	1.000	1.000	-	1.000	1.000
Community Relations Manager	1.000	1.000	-	1.000	1.000
Digital Communications Specialist	1.000	1.000	-	1.000	1.000
Director of Human Resources	*	*	-	*	0.500
Human Resources Coordinators	*	*	-	*	1.500
Payroll	**	**	-	**	0.900
FINANCE					
Director of Finance & Administration	*	*	-	*	0.500
Revenue and Asset Manager	**	**	-	**	0.750
Accounting Manager	**	**	-	**	0.500
Accounting Supervisor	**	**	-	**	0.500
Financial and Budgeting Analysis Manager	**	**	-	**	0.500
Accounts Payable	**	**	-	**	1.000
Accounting Assistant	1.000	1.000	-	1.000	1.000
CUSTOMER SERVICE					
Utility Billing Lead	1.000	1.000	-	1.000	1.000
Utility Billing	3.000	3.000	-	3.000	3.000
Total Regular Employees	89.200	89.200	0.000	89.200	98.350

*Employee cost is partially allocated **FROM** Metro District pursuant to sharing agreement

Employee cost is partially allocated **TO Metro District pursuant to sharing contract

APPENDIX 4 OPERATING COSTS BY ACTIVITY

	2023 Actual	2024 Budget	2024 Amended	2025		
				Adopted	% Change From 2023 Actual	% Change From 2024 Amended
WATER OPERATIONS						
600 SURFACE WATER	4,062,571	4,434,335	6,873,988	5,412,002	33.2%	-21.3%
602 WELLS	1,552,409	1,873,800	1,853,800	1,974,200	27.2%	6.5%
610 GROUNDWATER FAC.	325,774	273,500	293,500	314,000	-3.6%	7.0%
620 PUMPING EXPENSES	1,623,671	2,422,971	2,044,121	2,602,908	60.3%	27.3%
630 DISTRIBUTION TANKS	40,678	89,500	69,500	86,500	112.6%	24.5%
640 WTP OPERATIONS	3,002,963	3,192,828	3,955,196	4,487,869	49.4%	13.5%
650 WTP MAINTENANCE	1,199,689	1,320,000	1,403,000	1,396,680	16.4%	-0.5%
664 METER INSTALLATION	905,721	663,502	613,207	1,036,100	14.4%	69.0%
671 TRANS/DIST MAINTENANCE	1,419,654	1,642,220	1,991,905	2,428,475	71.1%	21.9%
TOTAL WATER OPS	14,133,130	15,912,656	19,098,217	19,738,734	39.7%	3.4%
WASTEWATER OPERATIONS						
711 COLL/TRANS. MAINTENANCE	1,127,311	1,260,640	1,182,370	992,900	-11.9%	-16.0%
720 WWTP OPERATIONS	2,699,650	2,762,640	3,695,776	4,389,227	62.6%	18.8%
730 WWTP MAINTENANCE	1,445,503	1,667,395	1,524,985	1,737,000	20.2%	13.9%
740 LIFT STATIONS	207,653	287,500	207,500	307,500	48.1%	48.2%
TOTAL WASTEWATER OPS	5,480,117	5,978,175	6,610,631	7,426,627	35.5%	12.3%
TECHNICAL MANAGEMENT						
805 WATER RESOURCES	1,334,444	1,495,275	1,478,580	1,530,915	14.7%	3.5%
805-75 WATER CONSERVATION	251,819	260,505	287,365	258,630	2.7%	-10.0%
840 O&M ADMINISTRATION	1,087,518	1,154,020	1,226,325	1,300,340	19.6%	6.0%
860 LAB SERVICES	876,258	1,020,510	1,061,950	1,186,900	35.5%	11.8%
870 SCADA	1,091,103	1,185,125	1,201,060	1,256,710	15.2%	4.6%
850 GIS SERVICES	241,675	256,110	267,885	287,535	19.0%	7.3%
880 ENGINEERING	946,306	1,076,153	807,263	1,083,493	14.5%	34.2%
893 FLEET	238,651	221,700	221,700	250,200	4.8%	12.9%
TOTAL TECHNICAL MGMT	6,067,774	6,669,398	6,552,128	7,154,723	17.9%	9.2%
GENERAL MANAGEMENT						
900 GENERAL GOVERNANCE	660,880	247,200	532,225	637,750	-3.5%	19.8%
905 COMMUNITY RELATIONS	175,714	329,250	332,320	330,915	88.3%	-0.4%
910 OFFICE OF THE MANAGER	349,511	385,980	402,300	381,190	9.1%	-5.2%
920 HUMAN RESOURCES	249,702	304,650	295,910	288,390	15.5%	-2.5%
930 FINANCIAL SERVICES	910,749	1,519,039	1,258,385	1,297,020	42.4%	3.1%
950 INFORMATION SYSTEMS	381,423	463,500	562,570	564,500	48.0%	0.3%
960 CUSTOMER SERVICE	834,273	895,580	751,803	694,455	-16.8%	-7.6%
970 OFFICE SERVICES	82,845	82,166	104,166	83,696	1.0%	-19.7%
975 ADMINISTRATIVE BLDG	232,758	331,990	344,935	299,800	28.8%	-13.1%
980 INSURANCE	280,366	285,000	346,715	285,000	1.7%	-17.8%
TOTAL GENERAL MGMT	4,158,221	4,844,355	4,931,329	4,862,716	16.9%	-1.4%
MISC CAPITAL	58,575	250,000	250,000	250,000	326.8%	0.0%
TOTAL BY ACTIVITY	\$ 29,897,818	\$ 33,654,584	\$ 37,442,305	\$ 39,432,800	31.9%	5.3%

APPENDIX 5 OPERATING COSTS BY EXPENDITURE TYPE

	2023 Actual	2024 Budget	2024 Amended	2025		
				Adopted	% Change From 2023 Actual	% Change From 2024 Amended
BOARD DIRECTED						
111 REGULAR WAGES	\$ 7,508,733	\$ 8,206,967	\$ 8,024,520	\$ 8,807,750	17.3%	9.8%
121 OVERTIME WAGES	349,292	326,750	322,450	322,300	-7.7%	0.0%
13x PAYROLL EXPENSES	2,438,629	2,650,538	2,583,218	2,915,585	19.6%	12.9%
113 TEMPORARY	50,758	80,300	80,300	90,300	77.9%	12.5%
182 DEVELOPMENT	55,497	86,050	82,050	95,900	72.8%	16.9%
184 UNIFORMS	40,653	43,170	88,215	47,400	16.6%	-46.3%
191 BOARD DIRECTOR FEES	7,800	9,600	9,600	9,600	23.1%	0.0%
195 ADMINISTRATIVE CONTRACT	540,735	536,086	536,086	581,123	7.5%	8.4%
TOTAL	10,992,097	11,939,461	11,726,439	12,869,958	17.1%	9.8%
CONTRACTED SERVICES						
352 LEGAL	975,024	655,000	928,000	970,000	-0.5%	4.5%
370 ELECTION	59,348	5,000	5,000	70,000	17.9%	1300.0%
354 AUDITING	23,994	28,000	70,000	50,000	108.4%	-28.6%
368 INSURANCE	280,366	285,000	346,715	285,000	1.7%	-17.8%
550 WATER LEASES	3,915,886	4,194,984	6,731,738	5,171,097	32.1%	-23.2%
TOTAL	5,254,618	5,167,984	8,081,453	6,546,097	24.6%	-19.0%
DEPARTMENT DIRECTED NONVARIABLE						
219 OFFICE SUPPLIES	1,086	1,500	1,500	1,500	38.1%	0.0%
220 MEETINGS	9,233	31,420	24,520	16,520	78.9%	-32.6%
222 EMPLOYEE RELATIONS	16,958	20,560	15,060	16,260	-4.1%	8.0%
223 RECRUITMENT	-	5,500	5,500	5,500	100.0%	0.0%
226 SAFETY SUPPLIES	40,663	59,075	62,075	47,075	15.8%	-24.2%
227 JANITORIAL SUPPLIES	12,749	19,000	19,500	19,500	53.0%	0.0%
229 OTHER SUPPLIES	369,273	406,100	477,895	410,500	11.2%	-14.1%
230 SOFTWARE	65,717	272,154	144,050	141,500	115.3%	-1.8%
244 REPAIR PARTS	1,772,534	1,753,750	1,566,750	2,148,900	21.2%	37.2%
245 METERS	57,955	107,953	77,657	75,900	31.0%	-2.3%
246 FLEET SUPPLIES	39,987	30,000	30,000	40,000	0.0%	33.3%
TOTAL	2,386,155	2,707,012	2,424,507	2,923,155	22.5%	20.6%

**HIGHLANDS RANCH WATER AND SANITATION DISTRICT
2025 ADOPTED BUDGET**

	2023 ACTUAL	2024 BUDGET	2024 REVISED	2025		
				Adopted	% Change From 2023 Actual	% Change From 2024 Amended
PURCHASED SERVICES						
301 BANKING FEES	57,623	76,000	70,000	76,000	31.9%	8.6%
311 POSTAGE AND FREIGHT	89,629	102,100	111,100	62,400	-30.4%	-43.8%
313 VEHICLE LICENSES	275	700	700	1,000	263.6%	42.9%
319 COMMUNICATION SERVICES	189,623	184,235	261,850	236,510	24.7%	-9.7%
325 ADVERTISING	1,024	600	600	500	-51.2%	-16.7%
329 PRINTING	78,217	122,300	104,300	104,800	34.0%	0.5%
331 MEMBERSHIP DUES	80,998	90,115	92,934	101,490	25.3%	9.2%
335 PUBLICATIONS	1,738	7,750	7,850	6,200	256.7%	-21.0%
343 EQUIPMENT RENTAL	95,185	91,000	163,000	118,500	24.5%	-27.3%
344 REPAIR SERVICES	1,010,834	1,501,500	1,524,900	1,597,500	58.0%	4.8%
346 CONTRACT TEMP	19,286	35,000	-	-	-100.0%	-100.0%
347 JANITORIAL SERVICES	65,404	65,400	72,400	71,320	9.0%	-1.5%
348 CONTRACTED MAINTENANCE	111,437	187,500	157,500	236,500	112.2%	50.2%
349 LANDFILL SERVICES	121,231	114,280	121,260	125,640	3.6%	3.6%
355 PROFESSIONAL SERVICES	1,074,520	1,197,340	1,297,240	1,302,340	21.2%	0.4%
363 LAB SERVICES	151,859	214,000	242,000	269,000	77.1%	11.2%
367 SLUDGE DISPOSAL	684,908	594,000	494,646	600,680	-12.3%	21.4%
369 OTHER SERVICES	1,059,867	1,698,875	1,764,490	1,546,106	45.9%	-12.4%
371 AUTOMOBILE EXPENSE	865	3,350	3,000	3,100	258.4%	3.3%
372 CONFERENCES	22,914	44,905	43,605	48,500	111.7%	11.2%
389 ADMINISTRATIVE CONTRACT	73,775	86,093	86,093	80,020	8.5%	-7.1%
TOTAL	4,991,212	6,417,043	6,619,468	6,588,106	32.0%	-0.5%
DEPARTMENT DIRECTED VARIABLE						
271 FUEL	118,831	120,000	120,000	130,000	9.4%	8.3%
281 WATER TREATMENT CHEMICALS	2,501,986	2,738,935	4,411,139	5,535,498	121.2%	25.5%
TOTAL	2,620,817	2,858,935	4,531,139	5,665,498	116.2%	25.0%
UTILITIES						
391 ELECTRIC	3,485,968	4,178,271	3,691,421	4,455,608	27.8%	20.7%
392 WATER/SEWER	25,608	35,000	33,000	36,000	40.6%	9.1%
394 NATURAL GAS	82,768	100,878	84,878	98,378	18.9%	15.9%
TOTAL	3,594,344	4,314,149	3,809,299	4,589,986	27.7%	20.5%
MISCELLANEOUS CAPITAL	58,575	250,000	250,000	250,000	326.8%	0.0%
TOTAL BY EXPENDITURE TYPE	\$ 29,897,818	\$ 33,654,584	\$ 37,442,305	\$ 39,432,800	31.9%	5.3%

APPENDIX 6 WATER AND WASTEWATER SERVICES AGREEMENT EXHIBIT B

RESERVED CAPACITY COST FOR UNDEVELOPED NONRESIDENTIAL	
Total Number of Acres Platted	1,173.091
Total Number of Acres Service Not Requested	(126.258)
Less total acres placed in service	<u>(1,018.063)</u>
Total remaining acres with requested service	<u>28.77</u>
No. of taps at two 3/4" per undeveloped acre	58
Capacity Fee per Nonresidential 3/4" tap	\$ 9,650
Estimated Reserved Capacity Cost Undeveloped Remaining	<u>\$ 559,700</u>
RESERVED CAPACITY COST FOR UNDEVELOPED SINGLE FAMILY RESIDENTIAL	
Total Number of Dwelling Units Platted	29,540
Total Number of Dwelling Units - Service not requested	0
Less Total Number of dwelling units placed in service	<u>(29,494)</u>
No. of remaining Single Family Residential taps	46
Capacity Fee per Single Family Residential 3/4" tap	\$ 5,960
Estimated Reserved Capacity Cost Undeveloped Remaining	<u>\$ 274,160</u>
RESERVED CAPACITY COST FOR UNDEVELOPED MULTI-FAMILY RESIDENTIAL	
Total Number of Dwelling Units Platted	8,716
Total Number of Dwelling Units - Service not requested	0
Less Total Number of dwelling units placed in service	<u>(8,512)</u>
No. of remaining Multi-Family Residential taps	204
Capacity Fee per Multi-Family Residential 3/4" tap	\$ 3,780
Estimated Reserved Capacity Cost Undeveloped Remaining	<u>\$ 771,120</u>
CALCULATION OF RESERVED CAPACITY PAYMENTS DUE	
Remaining	
Nonresidential	\$ 559,700
Single Family	274,160
Multi Family	<u>771,120</u>
Total remaining payments due	1,604,980
Collected thru 9/30/2024	
Metro 1	37,811,016
Metro 2	42,377,431
Metro 3	40,661,354
Metro 4	41,791,224
Consolidated	<u>43,550,008</u>
Total payments collected	206,191,033
Total reserved capacity costs	<u>\$ 207,796,013</u>
RESERVED CAPACITY PAYMENTS MADE TO DATE	
As of 12/31/23 per CWSD general ledger (951-410-10-xxxx)	\$ (206,191,033)
Present value discount on 1992 Metro 1 payment	(353,665)
4/01/2024 Payment	<u>(533,750)</u>
Total reserved capacity payments made to date	<u>\$ (207,078,448)</u>
TOTAL DUE	
Total reserved capacity cost	207,796,013
Less payments made to date	<u>(207,078,448)</u>
Total Due	<u>\$ 717,565</u>

PAYMENT DUE	Collected in			40% of			Total		
APRIL 1,	Excess of	Minimum	+ Excess	Total Due	Minimum +	40% of Excess	Cumulative		
	Amount Paid								
2025	\$ -	\$ 100,000	\$ 287,026	\$ 387,026	\$ 387,026	\$ 387,026	\$ 387,026		
2026		\$ 100,000	\$ 132,216	\$ 232,216	\$ 232,216	\$ 619,242	\$ 619,242		
2027		\$ 100,000	\$ 39,329	\$ 139,329	\$ 139,329	\$ 758,571	\$ 758,571		
2028		\$ 100,000	\$ (16,402)	\$ 83,598	\$ 83,598	\$ 842,169	\$ 842,169		
2029		\$ 100,000	\$ (49,841)	\$ 50,159	\$ 50,159	\$ 892,327	\$ 892,327		
2030		\$ 100,000	\$ (69,905)	\$ 30,095	\$ 30,095	\$ 922,422	\$ 922,422		
2031		\$ 100,000	\$ (81,943)	\$ 18,057	\$ 18,057	\$ 940,479	\$ 940,479		

APPENDIX 7
2025 WATER AND WASTEWATER RATES

WATER BUDGET*	2024					2025				
	METERED WATER CONSUMPTION (per 1,000 Gallons)					METERED WATER CONSUMPTION (per 1,000 Gallons)				
	Residential		Non-Residential & Multi-Family			Residential		Non-Residential & Multi-Family		
	Summer	Winter (non-irrigation)	Indoor Only	Irrigation Only	Summer	Winter (non-irrigation)	Indoor Only	Irrigation Only		
up to 100%	\$ 4.79	\$ 4.79	\$ 4.43	\$ 4.90	\$ 5.32	\$ 5.32	\$ 4.61	\$ 5.44		
101% to 120%	\$ 6.44	\$ 6.44	\$ 6.00	\$ 6.57	\$ 7.16	\$ 7.16	\$ 6.23	\$ 7.38		
121% to 140%	\$ 9.78	\$ 6.44	\$ 6.00	\$ 11.55	\$ 10.87	\$ 7.16	\$ 6.23	\$ 12.82		
140% and over	\$ 14.81	\$ 10.66	\$ 10.44	\$ 19.61	\$ 16.44	\$ 11.84	\$ 10.83	\$ 21.76		
	Drought Rates - Stage 1**					Drought Rates - Stage 1**				
up to 100%	\$ 4.79	N/A	N/A	\$ 4.90	\$ 5.32	N/A	N/A	\$ 5.44		
101% to 120%	\$ 8.06	N/A	N/A	\$ 8.22	\$ 8.95	N/A	N/A	\$ 9.23		
121% to 140%	\$ 12.23	N/A	N/A	\$ 14.44	\$ 13.59	N/A	N/A	\$ 16.03		
140% and over	\$ 18.51	N/A	N/A	\$ 19.61	\$ 16.44	N/A	N/A	\$ 21.76		
	Drought Rates - Stage 2**					Drought Rates - Stage 2**				
up to 100%	\$ 4.79	N/A	N/A	\$ 4.90	\$ 5.32	N/A	N/A	\$ 5.44		
101% to 120%	\$ 9.67	N/A	N/A	\$ 9.86	\$ 10.74	N/A	N/A	\$ 11.07		
121% to 140%	\$ 14.68	N/A	N/A	\$ 17.33	\$ 16.31	N/A	N/A	\$ 19.23		
140% and over	\$ 18.51	N/A	N/A	\$ 19.61	\$ 16.44	N/A	N/A	\$ 21.76		

2024	
WATER SERVICE AVAILABILITY FEE	
Residential - Single Family (bi-monthly)	\$ 36.50
Residential - Multi Family (monthly)	\$ 11.32
Nonresidential per 3/4" equivalent (monthly)	\$ 18.25

2025	
WATER SERVICE AVAILABILITY FEE	
Residential - Single Family (bi-monthly)	\$ 38.33
Residential - Multi Family (monthly)	\$ 11.88
Nonresidential per 3/4" equivalent (monthly)	\$ 19.17

2024	
WASTEWATER TREATMENT	
Residential - Single Family****	
Fixed fee (bi-monthly)	\$ 29.92
Minimum charge -Fixed fee plus	
3,000 gallons Use	\$ 43.48
Use - winter time average (per 1,000 gallons)	\$ 4.52
Residential - Multi Family (per unit)***	
Fixed fee (monthly)	\$ 14.96
Minimum charge -Fixed fee plus	
1,500 gallons	\$ 21.74
Use - winter time average (per 1,000 gallons)	\$ 4.52
Nonresidential	
Fixed fee per 3/4" equiv. tap size (monthly)	\$ 14.96
Rate * 80% water consumed (per 1,000 gallons)	\$ 4.52

2025	
WASTEWATER TREATMENT	
Residential - Single Family****	
Fixed fee (bi-monthly)	\$ 29.92
Minimum charge -Fixed fee plus	
3,000 gallons Use	\$ 44.17
Use - winter time average (per 1,000 gallons)	\$ 4.75
Residential - Multi Family (per unit)***	
Fixed fee (monthly)	\$ 14.96
Minimum charge -Fixed fee plus	
1,500 gallons	\$ 22.09
Use - winter time average (per 1,000 gallons)	\$ 4.75
Nonresidential	
Fixed fee per 3/4" equiv. tap size (monthly)	\$ 14.96
Rate * 80% water consumed (per 1,000 gallons)	\$ 4.75

2024	
INFRASTRUCTURE IMPROVEMENT FEE	
Residential - Single Family (bi-monthly)	\$ 15.00
Residential - Multi Family (monthly)	\$ 7.50
Irrigation - Per Tap	\$ 7.50
Nonresidential per 3/4" equivalent (monthly)	\$ 7.50

2025	
INFRASTRUCTURE IMPROVEMENT FEE	
Residential - Single Family (bi-monthly)	\$ 15.00
Residential - Multi Family (monthly)	\$ 7.50
Irrigation - Per Tap	\$ 7.50
Nonresidential per 3/4" equivalent (monthly)	\$ 7.50

APPENDIX 8
ADOPTION RESOLUTIONS

CENTENNIAL WATER AND SANITATION DISTRICT

RESOLUTION No. 24-159

WHEREAS the Centennial Water and Sanitation District Board of Directors approved and adopted the 2024 budget on December 12th, 2023; and

WHEREAS the Board of Directors held a public hearing on amendments to the 2024 budget on November 25, 2024; and

WHEREAS no comments related to the amendments to the 2024 budget were received or filed; and

NOW THEREFORE BE IT RESOLVED that an increase in appropriation to the Operating Fund of \$3,787,721 and an increase in appropriation to the Debt Service Fund of \$2,597,770 are hereby approved.

Adopted this 10th day of December 2024

Ayes 5 Nays 0 Abstained 0 Absent 0

Certified by , Secretary.

CENTENNIAL WATER AND SANITATION DISTRICT

Resolution No. 24-160

WHEREAS staff has submitted a proposed budget to this Board on or before October 15, 2024, for its consideration; and

WHEREAS, upon due and proper notice, published or posted in accordance with the law, said proposed budget was open for inspection by the public at a designated place, and a public hearing was held on November 25th, 2024, and interested electors were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS the budget has been prepared to comply with all terms, limitations and exemptions, including, but not limited to, reserve transfers and expenditure exemptions, under Article X, Section 20 of the Colorado Constitution ("TABOR") and other laws or obligations, which are applicable to or binding upon the District; and

WHEREAS the District is an enterprise for the purpose of compliance with TABOR and generally accepted accounting principles but has chosen for the purpose of internal controls and bond covenant compliance to budget on the fund basis.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Centennial Water & Sanitation District:

1. That Estimated expenditures for each fund are as follows:

Operations	\$ 39,432,800
Water Acquisition	3,351,810
Capital Projects Fund	19,890,000
Debt Service Funds	10,865,818
Total uses of funds	\$ 73,540,428

2. That estimated sources of funds to fund the uses of funds are as follows:

Operating Fund	
From Operating Sources	\$ 52,658,255
From Nonoperating Sources	352,440
From (to) Interfund Transfers	(11,512,560)
From (to) Unappropriated Surpluses	(2,065,335)
Total	\$ 39,432,800
Water Acquisition	
From Operating Revenues	\$ 4,837,420
From Nonoperating Revenue	50
From (to) Interfund Transfers	(2,728,830)
From (to) Appropriated Surpluses	350,000
From (to) Unappropriated Surpluses	893,170
Total	\$ 3,351,810

**HIGHLANDS RANCH WATER AND SANITATION DISTRICT
2025 ADOPTED BUDGET**

Capital/Major Repair	
From Nonoperating Revenue	\$ 3,465,425
From (to) Interfund Transfers	4,012,560
From (to) Appropriated Surpluses	4,700,000
From (to) Unappropriated Surpluses	7,712,015
Total	\$ 19,890,000
 Debt Service Funds	
From Nonoperating Revenue	\$ 106,595
From (to) Interfund Transfers	10,228,830
From (to) Unappropriated Surpluses	530,393
Total	\$ 10,865,818

3. That the budget, as submitted, amended, and herein summarized by budgetary fund, be and the same hereby is, approved and adopted as the budget of the Centennial Water & Sanitation District for the 2025 fiscal year.

4. That the budget, as hereby approved and adopted, shall be certified by a Secretary and/or General Manager of the District to all appropriate agencies and is made a part of the public records of the District.

APPROPRIATE SUMS OF MONEY

WHEREAS, the Board of Directors of the District has made provision therein for revenues in an amount equal to or greater than the total proposed expenditures as set forth in said budget; and

WHEREAS, it is not only required by law, but also necessary to appropriate the revenues provided in the budget to and for the purposes described below, as more fully set forth in the budget, which shall include any transfers between funds listed therein, so as not to impair the operations of the District.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Centennial Water & Sanitation District that the following sums are hereby appropriated from the revenues of each fund to each fund, for the purposes stated:

Funds Appropriated with Budget Adoption	
Operations	\$ 39,432,800
Water Acquisition	3,221,810
Debt Service Funds	10,865,818
Vehicles & Equipment	930,000
	\$ 54,450,428

BE IT FURTHER RESOLVED that appropriations for expenditures on capital projects from the Capital Projects and Water Acquisition Funds will be considered on a project-by-project basis during 2025 and that any unexpended appropriations will continue to be available until rescinded by the Board of Directors.

TRANSFERS

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors has established the following policies for maintaining sufficient reserves for the operation of the District. To the extent available, the following transfers will be made in the listed priority:

- The Operations Fund will maintain working capital equal to 50% of the next year's budgeted operating expenditures.
- To the Debt Service Fund for funding the next year's annual debt service, \$7,500,000.
- To the Capital and Major Repair Fund, \$4,012,560
- Any remaining available funds will be transferred to the Financial Assurance Fund, \$0

RATES AND FEES FOR AREAS OUTSIDE THE HIGHLANDS RANCH SERVICE AREA

WHEREAS Centennial entered into the Extended Service Area Water and Sewage Agreement dated August 1, 1994, between Centennial and Northern Douglas County Water and Sanitation District ("NDCWSD") and said agreement establishes the requirement for Centennial and Northern to adopt rules and regulations as well as rates, tolls, and fees; and

WHEREAS Centennial entered into an agreement with Castle Pines North ("CPN") dated January 27, 2010, and said agreement establishes the requirement for Centennial to establish water rates and fees; and

WHEREAS Centennial staff reviewed the existing rate structure for purposes of ensuring adequate revenue to fund Centennial costs.

NOW THEREFORE BE IT RESOLVED that:

- The rates for NDCWSD shall be as shown below:

	2024	2025	% Change
Residential	\$ 5.79	\$ 6.32	9.2%
Commercial Indoor	\$ 5.43	\$ 5.61	3.3%
Irrigation	\$ 5.90	\$ 6.44	9.2%
Service Availability Fee	\$ 18.25	\$ 19.35	6.0%
Wastewater Fixed	\$ 21.74	\$ 22.09	1.6%
Wastewater per 1,000 Gallons	\$ 4.52	\$ 4.75	5.0%
Infrastructure Improvement Fee	\$ 7.50	\$ 7.50	0.0%

- Centennial staff shall notify NDCWSD consistent with the IGA between NDCWSD and Centennial in order for them to implement the above changes.

BE IT FURTHER RESOLVED that:

- The base water rate for CPN pursuant to the CPN agreement shall be \$2.67 per thousand gallons.
- Service requested by CPN outside the scope of the CPN agreement shall be charged the same as other service outside the service boundaries, as delineated in the Highlands Ranch Agreement.

Adopted this 10th day of December 2024

Ayes 5 Nays 0 Abstained 0 Absent 0

Certified by *Janet Collins*, Secretary.