Highlands Ranch WATER

2027 PROPOSED Budget & Rates









62 Plaza Drive
Highlands Ranch,
CO 80129

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Introduction to Highlands Ranch Water



History

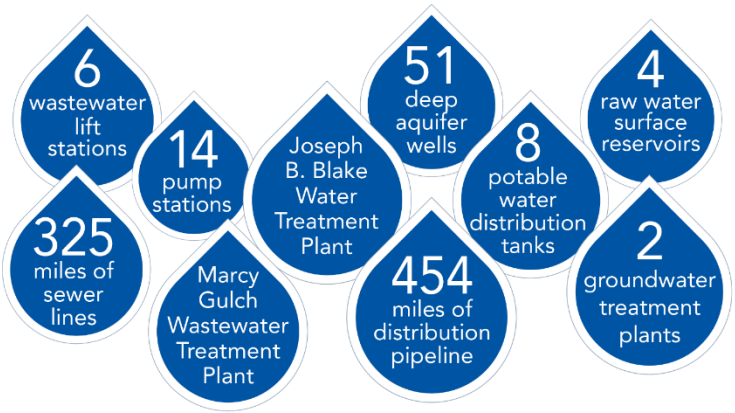
In 1980, through a vote of eligible electors, Highlands Ranch Water & Sanitation District (Highlands Ranch Water) was formed as a political subdivision of the State of Colorado and created as a quasi-municipal corporation to provide municipal water and wastewater services. In 2024, the Board of Directors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

Highlands Ranch Water is authorized to construct, own, operate, and maintain municipal water and wastewater facilities, including 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, and wastewater treatment facilities, and to provide water and wastewater service to residential and non-residential customers.

Authority is vested in the five-member Board of Directors (Board), with members elected to serve as at-large representatives. In 2022, the Board began transitioning from a developer board to a resident board. Two residents were elected in 2022 with the other three elected in 2023. A subsequent election was held in 2025, and elections will continue biennially. The Board is responsible for adopting resolutions and the Annual Budget and Capital Improvement Plan, appointing committees, and hiring Highlands Ranch Water'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.

Highlands Ranch Water currently provides municipal water and wastewater services in accordance with service agreements entered between the Highlands Ranch Metropolitan District (Metro District), Mirabelle Metropolitan District (Mirabelle), and Northern Douglas County Water and Sanitation District (Northern Douglas). Highlands Ranch Water also delivers treated water to Castle Pines North Metropolitan District and Roxborough Water and Sanitation District, pursuant to "wheeling agreements".

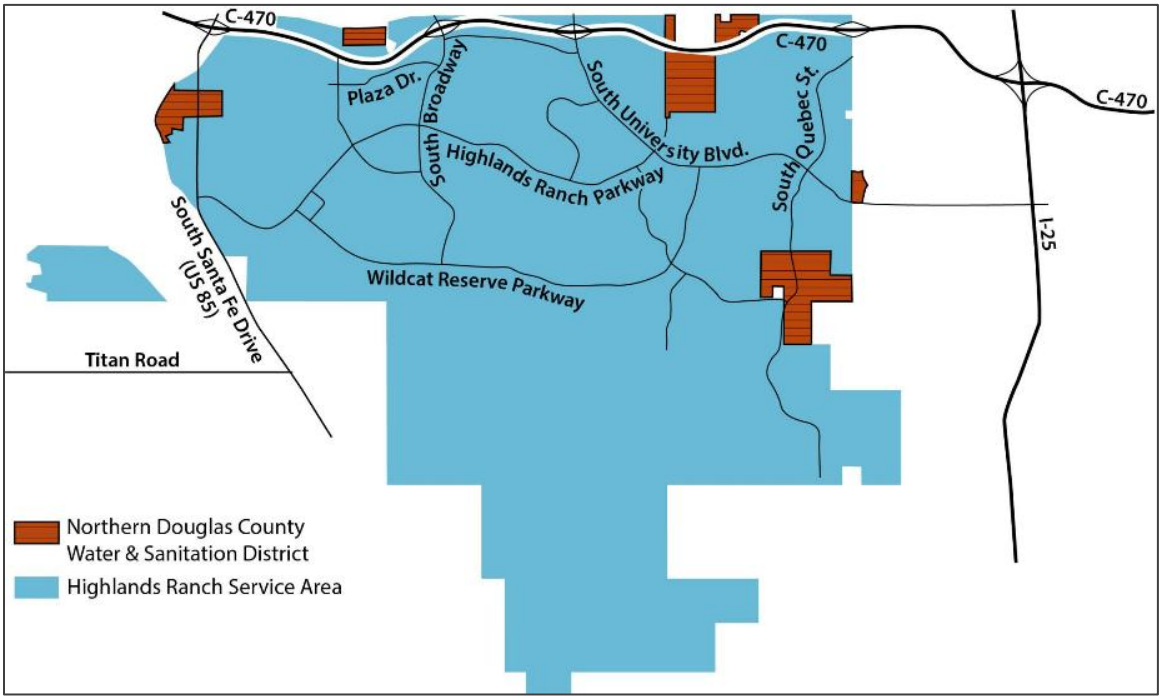
Our complex system includes the rivers, aquifers, reservoirs and canals that provide water; the plants that treat water and wastewater; the hundreds of miles of pipelines and thousands of separate pieces of infrastructure that deliver it all to our customers; and over100 employees who keep things running day in and day out, 24 hours a day, seven days a week, 365 days a year.



Service Area and Demographics

Highlands Ranch Water's Service Area is located in northwest Douglas County, Colorado, approximately 12 miles south of downtown Denver. Highlands Ranch Water provides water and wastewater services to the communities of Highlands Ranch, Solstice, and Northern Douglas County.

The map below shows the entirety of our service area:



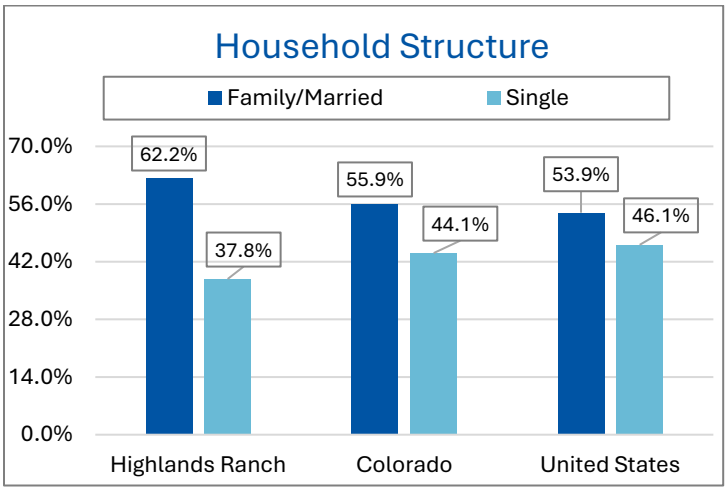
More than 94% of Highlands Ranch Water customers reside in Highlands Ranch. As one of the largest master planned communities in Colorado, Highlands Ranch offers residents access to extensive recreational amenities and the economic opportunities of the Denver metropolitan area. Highlands Ranch Water serves approximately 110,000 residents.

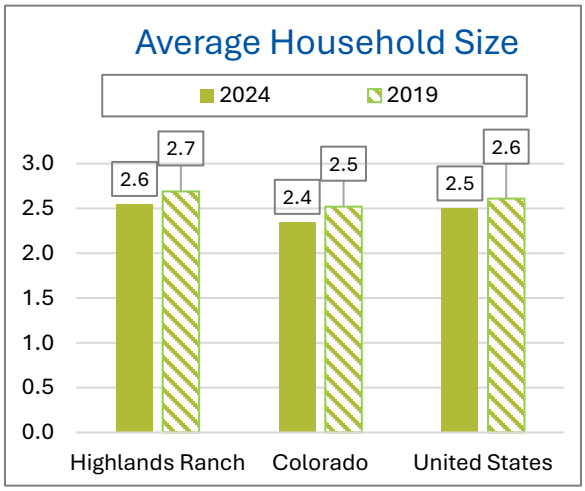
The demographic data presented in the following pages is derived from the 2024 American Community Survey 1-Year Estimates. Highlands Ranch Water considers the following when preparing for the annual budget:

- Age ranges of service area population
- Household structure
- Home ownership rates and median household value
- Household income and unemployment

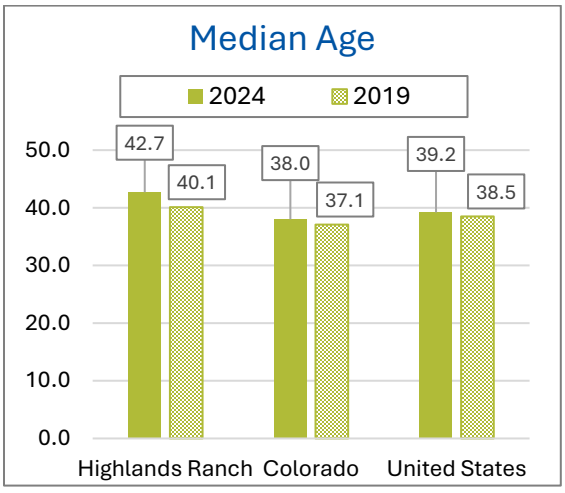
Analysis of population and household demographics helps Highlands Ranch Water effectively plan for and provide utility services.

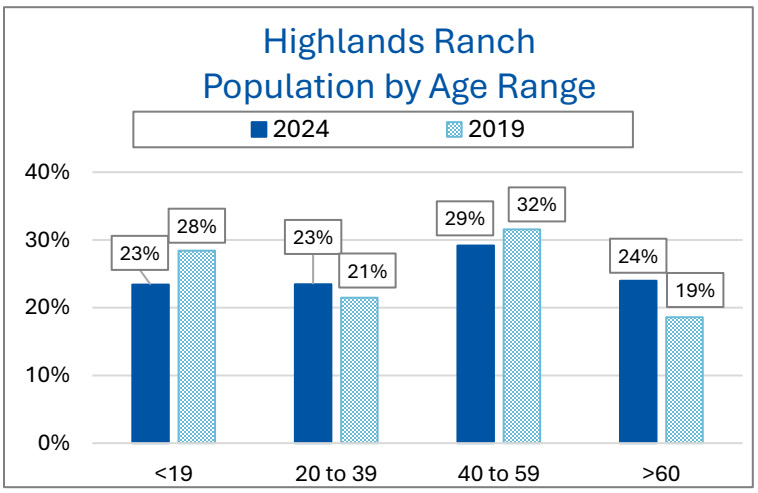
Because approximately 90% of Highlands Ranch Water's revenues come from rates, changes in population and household occupancy have a direct impact on rate-setting, the ability to absorb inflationary cost increases, funding available for capital improvements, and ongoing major repair and replacement programs.



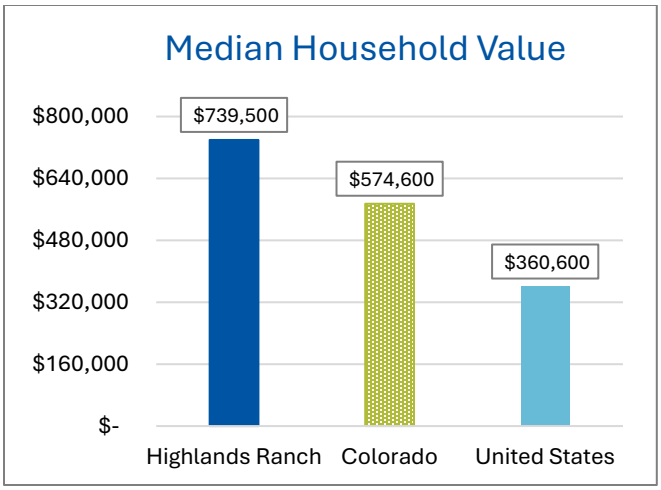


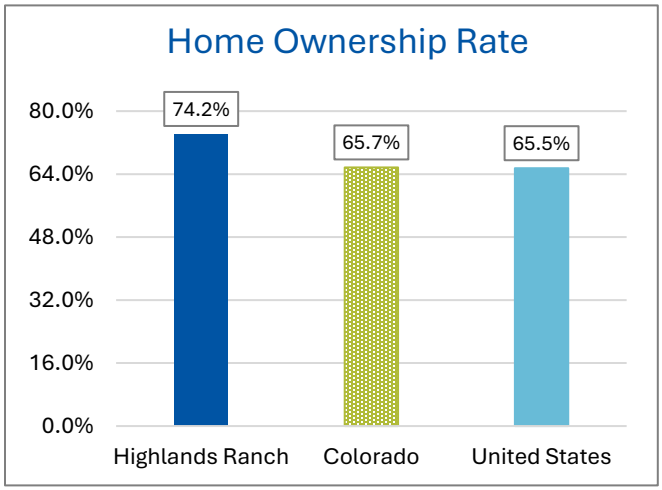
Compared to both Colorado and United States, Highlands Ranch has a higher portion of family households and married-couple households. At the same time, Highlands Ranch has experienced a greater increase in median age over the last five years, with growth of 6.5% compared with 2.4% statewide and 1.8% nationally.



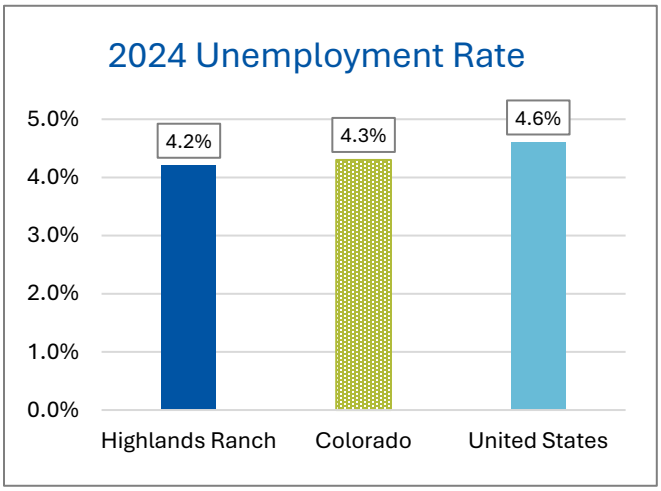


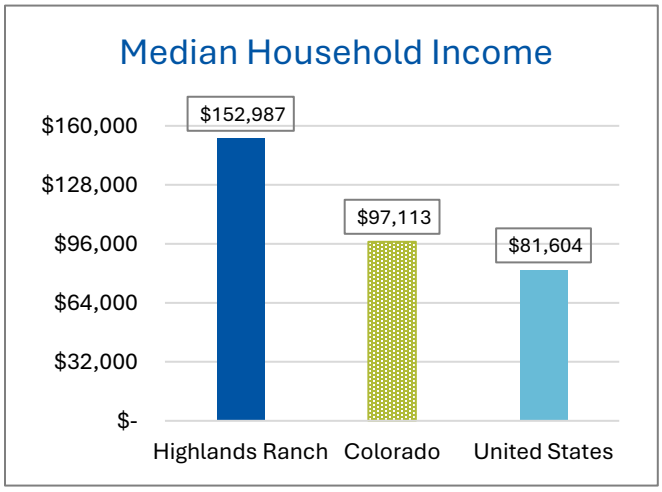
Homeownership rates and residential property values help Highlands Ranch Water evaluate the stability of its customer base and the potential variability in rate revenues associated with housing turnover. This information also supports revenue forecasting independent of weather-related fluctuations in water demand. At the end of 2024, the vacancy rate in Highlands Ranch was 1.4%.





At the end of 2024, the unemployment rate in Highlands Ranch was 4.2%, compared to 4.3% in Colorado and 4.6% in the United States.





Board of Directors

Highlands Ranch Water is governed by a five-member Board of Directors as required by the state law. To be eligible for nomination, prospective candidates must be electors of Highlands Ranch Water as defined by state law. Directors are elected to staggered four-year terms at biennial elections.



Tammy Essmeier
Chair
2025 to 2029



Terry Nolan
Vice Chair
2023 to 2027



SJ Light
Treasurer
2023 to 2027



Juli Faller
Assistant Secretary
2025 to 2029

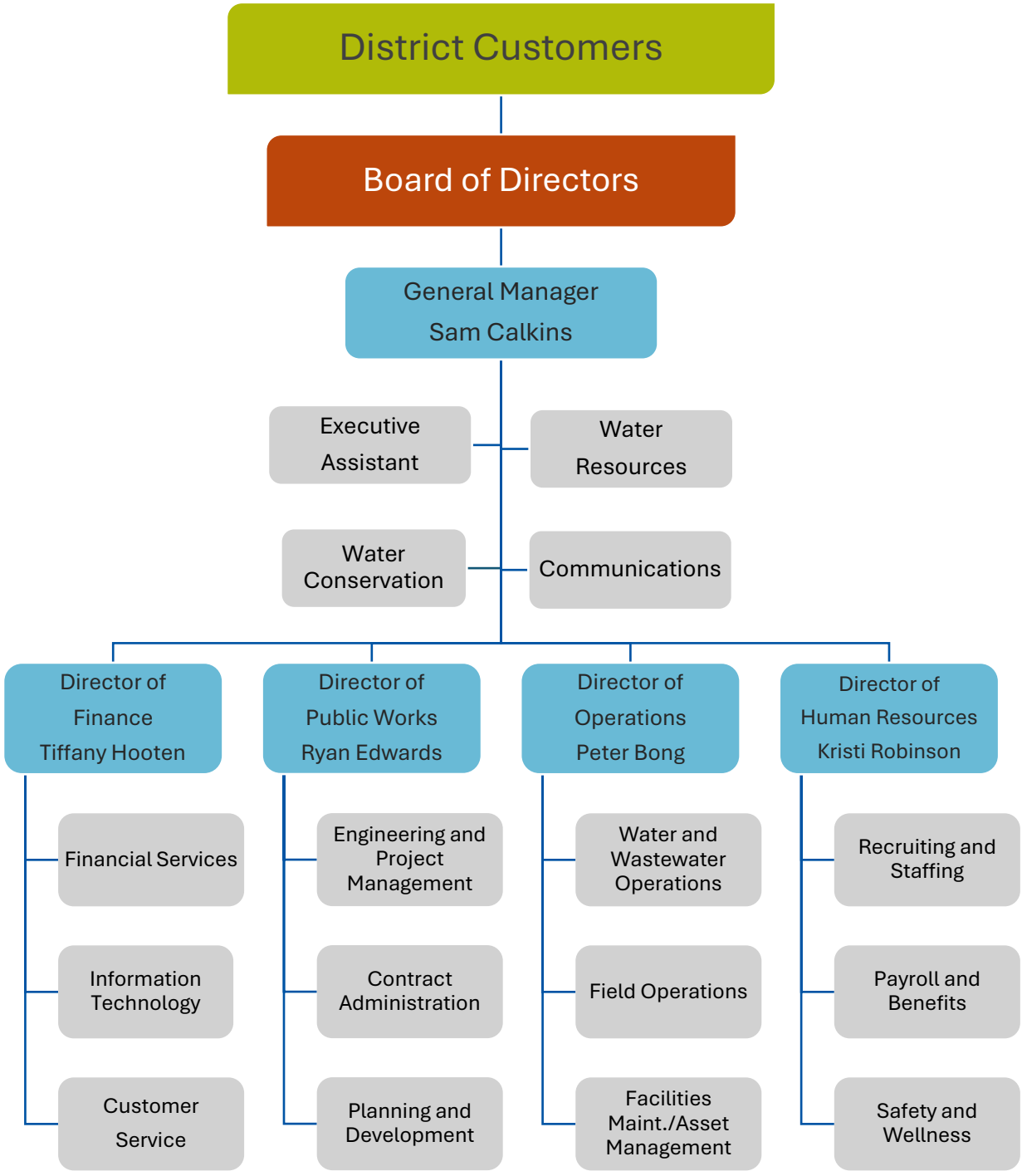


Frank Johns
Assistant Secretary
2023 to 2027

Highlands Ranch Water Board of Directors meetings are held at 5:30 p.m. on the last Monday of the month. Study sessions are held at 7:30 a.m. on the preceding Tuesday. Both meetings are held at the Hendrick Office Building, 62 Plaza Drive. The public is invited to attend. Those wishing to participate remotely may do so via the Zoom platform. The meeting link is posted on each agenda.

Individuals requiring auxiliary aids or services to participate should contact Highlands Ranch Water at 303-791-0430 at least 24 hours before the meeting.

Organizational Chart



Guiding Principles

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

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 environment for our employees and our customers.

TEAMWORK

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

VISION

We remain forward to identify opportunities to benefit our community. We strive to provide leadership within the water and wastewater industry.

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 to ensure we meet our obligations. We respect the valuable resources that we are entrusted with and are committed to protecting them.

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, customer rates and fees provide the resources necessary to deliver these services 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. Highlands Ranch Water's dedicated and experienced staff, coupled with a long history of strategic planning, position the district to successfully address these challenges as they arise.

Safety | Integrity | Teamwork | Vision | Excellence in Service



Strategic Focus Areas

In 2021, the Board of Directors completed a strategic planning process that established five strategic focus areas to support Highlands Ranch Water's mission and vision. The Board of Directors and staff regularly evaluate and refine these priorities to address evolving customer needs, regulatory requirements and operational challenges. The following sections highlight the strategic focus areas currently emphasized by Highlands Ranch Water.

1. Water Supply Sustainability

Reliable water supplies are fundamental to Highlands Ranch Water's ability to fulfill its mission. Maintaining a diverse and sustainable water portfolio requires long-term planning, strategic investments, and the continual evaluation of opportunities to enhance system reliability.

Integrated Water Resources Planning

Highlands Ranch Water continually evaluates available water supplies and compares projected resources to current and future demands. Through its Integrated Water Resources Planning efforts, the district identifies opportunities to strengthen its existing portfolio, improve system resiliency, acquire additional water resources, and reduce reliance on nonrenewable groundwater supplies.

Water Resources Projects

The Chatfield Storage Reallocation Project significantly enhanced Highlands Ranch Water's long-term water supply reliability. Following final project approval in 2020, Highlands Ranch Water began utilizing 6,922 acre-feet of storage capacity in Chatfield Reservoir in 2021, strengthening the district's renewable surface water portfolio. Highlands Ranch Water continues to pursue opportunities to protect existing supplies, improve operational efficiency, and expand long-term water availability.

2. Human Health and Environmental Stewardship

Providing safe, high-quality drinking water and reliable wastewater treatment is central to Highlands Ranch Water's mission. Continued investment in treatment facilities and supporting infrastructure protects public health, preserves environmental quality, and ensures long-term service reliability.

Joseph B. Blake Water Treatment Plant Improvements

The 2018 Water Master Plan recommended a series of projects to replace aging infrastructure and increase treatment capacity for renewable surface water. Phase 1A, completed in 2024, improved pretreatment processes and increased plant capacity from 26 mgd to 30 mgd. Phase 1B, completed in 2026, enhanced chemical storage and feed systems, site electrical infrastructure and overall plant reliability. Design of Phase 2 is currently underway and includes filter reconfiguration, improvements to the chlorine contact basin, upgrades to the Zone 1 and Zone 2 pump stations, backup generators, and treatment enhancements to address PFAS regulations. Construction is anticipated to begin in 2027. For additional information, see the Capital Improvement Plan beginning on page 92.

Marcy Gulch Wastewater Treatment Plant Improvements

The 2016 Wastewater Master Plan recommended a series of projects to replace aging infrastructure and improve treatment performance. The Marcy Gulch Wastewater Treatment Plant Phase II Improvements project achieved final completion in 2026 and modernized key treatment processes, enabling the facility to reliably treat up to 8 mgd while meeting stringent regulatory requirements. Highlands Ranch Water will continue to evaluate future improvements to maintain regulatory compliance, support operational reliability, and protect regional water resources.

Collection and Distribution System Improvements

Highlands Ranch Water continues to invest in the reliability and long-term performance of its water distribution and wastewater collection systems through ongoing pipeline and valve replacement programs. Planning is also underway for improvements to McLellan Pump Station B, a critical component of the district's raw water system. The project is intended to replace aging infrastructure, increase pumping capacity, improve operational reliability and support the delivery of raw water to the Joseph B. Blake Water Treatment Plant. Future planning efforts also include updates to the Distribution System Master Plan and Collection System Master Plan, as well as a comprehensive evaluation of cathodic protection infrastructure to support future repair, rehabilitation and replacement priorities.

3. Financial Stability

Financial stability is essential to Highlands Ranch Water's ability to provide safe, reliable and sustainable water and wastewater services. The district continuously evaluates operating and capital needs to ensure adequate resources are available to maintain infrastructure, meet regulatory requirements, and support long-term service reliability. Financial planning balances affordability for current customers with the responsibility to preserve critical assets and system capacity for future generations.

Capital Improvement Planning

Capital investment decisions play a significant role in both service reliability and financial sustainability. Highlands Ranch Water maintains a 10-year Capital Improvement Plan that identifies and prioritizes projects necessary to maintain operations, address aging infrastructure, comply with regulatory requirements, and support employee and public safety. While the Capital Improvement Plan focuses on the next decade, planning efforts routinely consider infrastructure needs and system sustainability well beyond the formal planning horizon.

Customer Billing Software

Highlands Ranch Water implemented a new customer billing system in 2025, representing the first major upgrade to the platform in several decades. The new system provides enhanced customer self-service capabilities, improved account information, and expanded communication tools. These improvements support the district's ongoing efforts to strengthen customer engagement, improve operational efficiency, and promote water conservation and resource stewardship.

4. Employee Engagement

Highlands Ranch Water's employees are critical to the district's long-term success. The district focuses on recruiting, developing and retaining a highly skilled workforce while fostering a positive organizational culture. Through employee engagement, professional development, and succession planning efforts, Highlands Ranch Water seeks to ensure it has the knowledge, expertise, and leadership necessary to meet future challenges.

Employee Advisory Committee

In 2023, Highlands Ranch Water expanded the role of its Employee Advisory Committee to facilitate communication and provide a forum for employee feedback. Comprised of front-line employees from across the organization, the EAC serves as a liaison between staff and management, helping identify opportunities to improve communication, employee engagement, and workplace culture. The committee

also reviews employee survey results and provides feedback on initiatives that support the organization's long-term success.

Continuous Learning

Highlands Ranch Water is committed to providing employees opportunities for professional growth and career development. Staff are encouraged to pursue certifications, specialized training and leadership development opportunities that support both individual career advancement and organizational needs. Employees regularly participate in industry conferences and training programs covering operations, regulations, water quality, community outreach, conservation, and utility best practices. These efforts support knowledge transfer, workforce succession planning, and the long-term sustainability of district operations.

5. Stakeholder Partnerships

Strong relationships with customers, partner agencies and other stakeholders contribute to Highlands Ranch Water's long-term success. Highlands Ranch Water strives to be a trusted community resource and a leader within Colorado's water industry.

Communications Planning

Highlands Ranch Water has expanded its community outreach and customer communication efforts in recent years. These initiatives include the launch of a new website, increased engagement through email and social media, expanded participation in community events, and greater public education regarding water resources, conservation and utility operations. These efforts help strengthen transparency, improve customer understanding, and support informed community engagement.

Citizen Engagement Committee

Established in 2021, the Citizen Engagement Committee (CEC) provides a forum for community members to learn about Highlands Ranch Water's operations and finances while offering feedback on the annual budget, customer programs, and strategic initiatives. The committee supports Highlands Ranch Water's commitment to transparency, community engagement, and stakeholder partnerships.

Board of Directors Elections

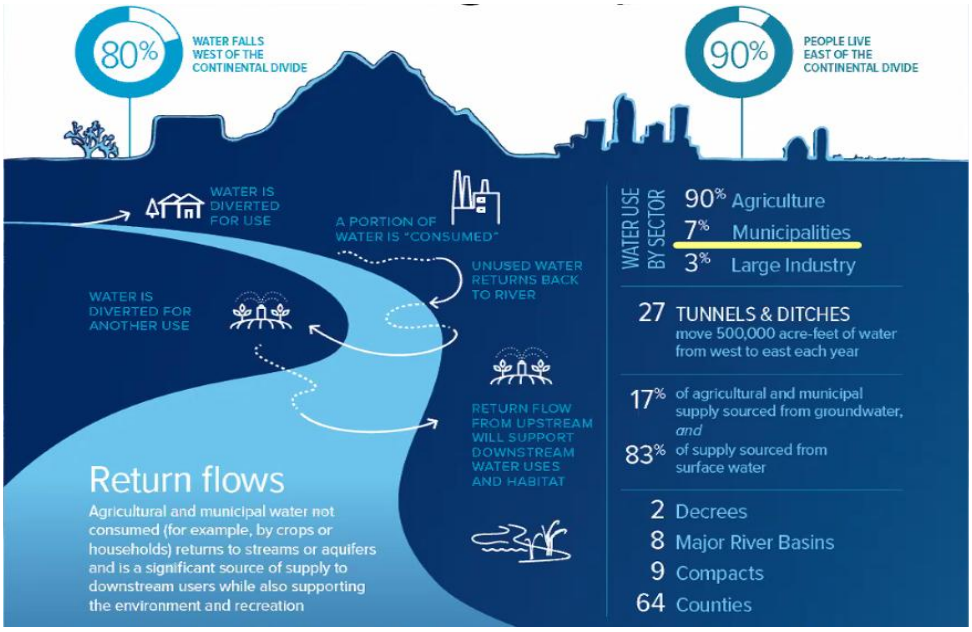
Highlands Ranch Water will hold its next director election on May 4, 2027. Three at-large seats will be up for election.

Regional Partnerships

Highlands Ranch Water staff and Board members participate in a variety of regional water organizations and collaborative initiatives addressing water supply reliability, infrastructure planning, regulatory compliance, water conservation, and industry best practices. These partnerships help Highlands Ranch Water identify emerging issues, share expertise and develop regional solutions to complex water challenges.

Protecting Our Water Supply

Water conservation and efficiency have been a key focus of Highlands Ranch Water's resource management strategy since the district's formation in 1980. Conservation helps maximize the value of available water supplies, supports long-term water reliability, and reduces the impacts of drought on the community. Highlands Ranch Water operates a conjunctive use water supply system that enables the use of surface water and/or groundwater sources to reliably provide water for our customers. The graphic below gives an overview of how water is used in Colorado:

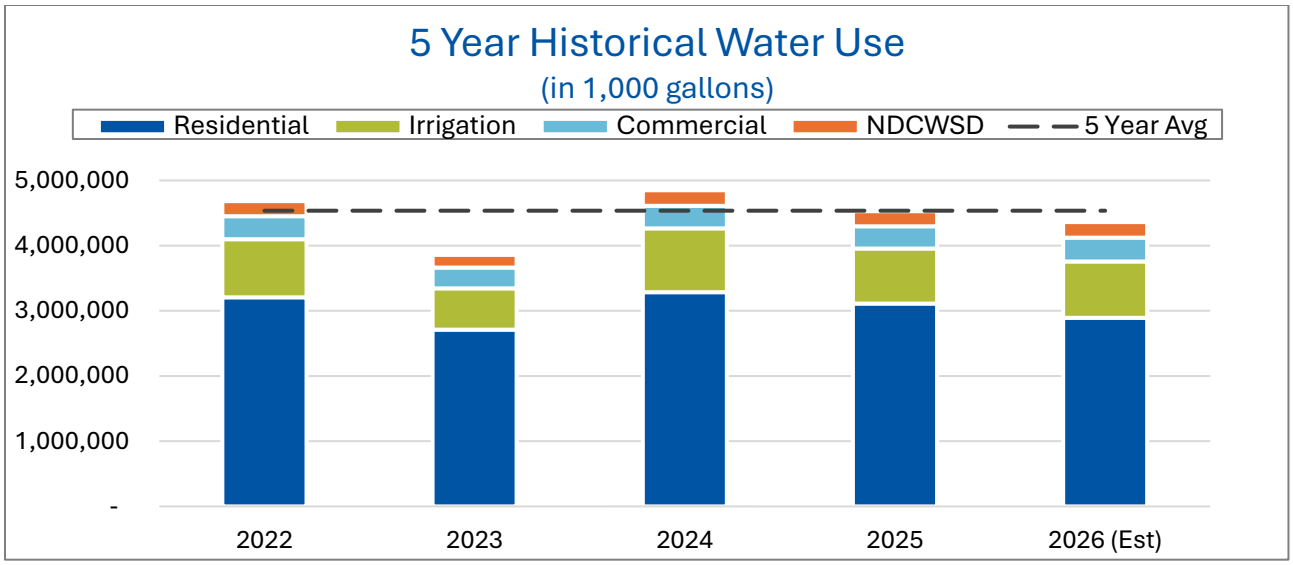


Source: "Colorado's Complex Water System," Colorado Water Plan (2023), Colorado Water Conservation Board

Customer Water Use

Highlands Ranch Water'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 years, surface water has comprised an average of 85 percent of Highlands Ranch Water's water supply.

Single and multi-family residences are the largest customer group that Highlands Ranch Water serves, accounting for over 65% of the water demand in Highlands Ranch, as shown in the graph below:



Because residential customers account for the majority of water demand, conservation programs directed toward residential outdoor irrigation can have a significant impact on overall water use and long-term water supply sustainability. In 2002, Highlands Ranch Water implemented an innovative water budgeting approach designed to encourage efficient water use. Outdoor irrigation budgets provide enough water to maintain healthy landscapes while discouraging waste. This conservation-focused rate structure has helped moderate water demand growth, improve water-use efficiency, and provide a framework for managing water use during drought conditions.

Colorado experienced abnormally warm and dry conditions beginning in late 2025. Due to these conditions, on March 30, 2026, the Board enacted Stage 1 drought restrictions while not enacting drought rates until May 1, 2026 in an effort to limit water usage and decrease demand. The District has seen a reduction in water use through the end of September, but still remains in Stage 1 drought restrictions. It is unknown as to when these restrictions may be lifted. The 2027 proposed budget considers current and potential future restrictions when developing rates and revenues.

Highlands Ranch Water continues to balance water supply reliability, environmental stewardship, and financial sustainability by refining conservation programs and water budgets and collaborating with regional and statewide partners. These efforts support responsible use of limited water resources, strengthen drought resilience, and help identify long-term water supply solutions that benefit the community.

Budget Summary



Budget Process

Highlands Ranch Water uses short and long-term planning when developing the annual budget to analyze the impacts of this year's activity in relation to future years' operational, capital and major repair, and water acquisition needs. This process is vital to ensure that we balance our resources wisely to continue providing the services and facilities expected by our customers.

Each July, managers perform a comprehensive review of their mid-year budget versus actual spending and, through a budget revision process, reassess spending needs and available financial resources for the remainder 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 appropriated in the adopted budget.

In August, managers evaluate operational requirements for the next year and capital improvement needs for the next 10 years. This is the process of departmental budget preparation. When the departments' proposed budgets are complete, the Finance Department compiles the data and inputs them into the long-range forecast to evaluate whether proposed budgets are financially sustainable given projected revenues and future operational and capital needs.

While the process is collaborative, the finance team is charged with comparing requirements to resources and prioritizing projects when available resources are insufficient to fund all identified needs. 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. A public hearing is held during the regularly scheduled November Board meeting.

In early November, staff conduct a budget workshop with the Board to review budget assumptions, discuss priorities and receive policy 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.

The annual budget is the result of a year-round planning process designed to promote transparency, accountability and long-term financial sustainability. Through oversight by the Board of Directors and public participation, Highlands Ranch Water maintains a strong financial position while continuing to fulfill its mission, vision and strategic priorities.

The illustration below shows the budget process throughout the year, including important dates:

January through July:

- Monitor financial perfromance against budget
- Present quarterly financial updates to the Board

July and August:

- Project new development and associated water demand
- Estimate surface water availability for updated demand
- Develop operating and capital budgets

September:

- Compile and review proposed operating and capital budgets
- Complete a rate calculation for the next year based on submitted budgets
- Meet with the General Manager and Directors to review proposed budgets

October:

- Finalize current year revised and next year proposed budgets
- Make budget available online and at Highlands Rnch Water's offices by October 15th

November and December:

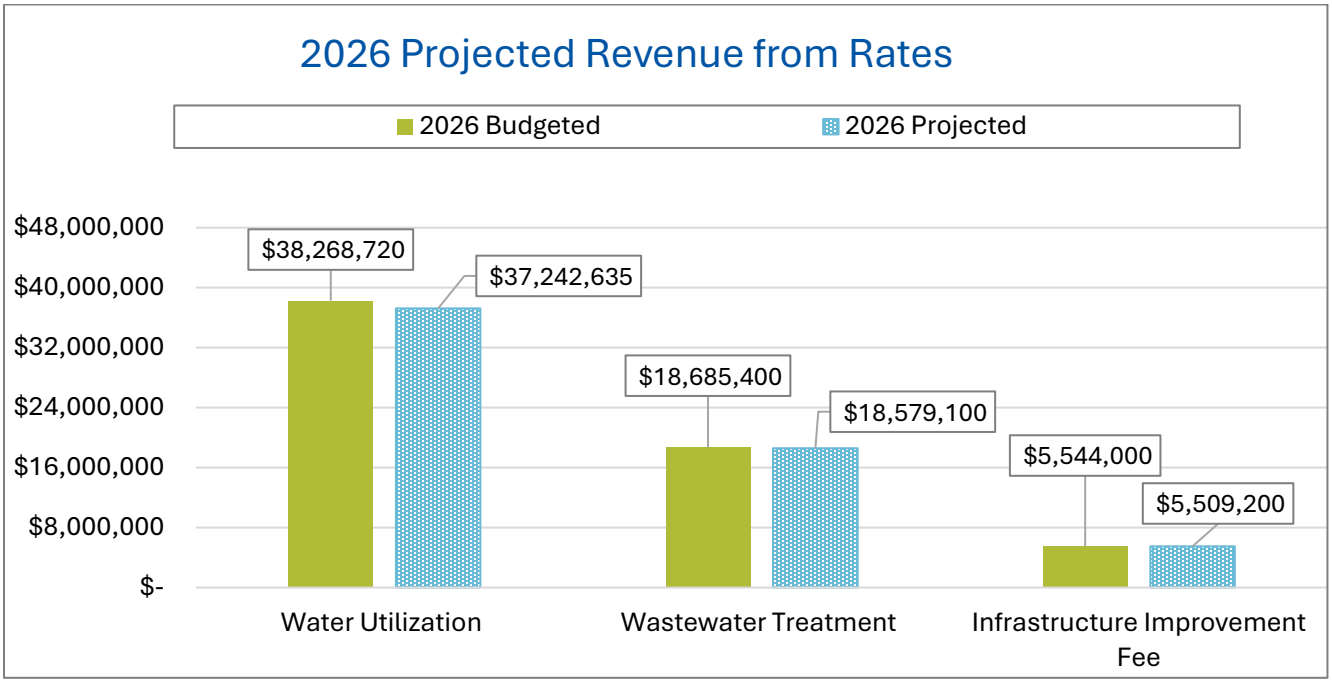
- Budget workshop with Board of Directors November
- Public hearing - November
- Adoption of budget and rates December

Budget-in-Brief – 2026 Revised Budget

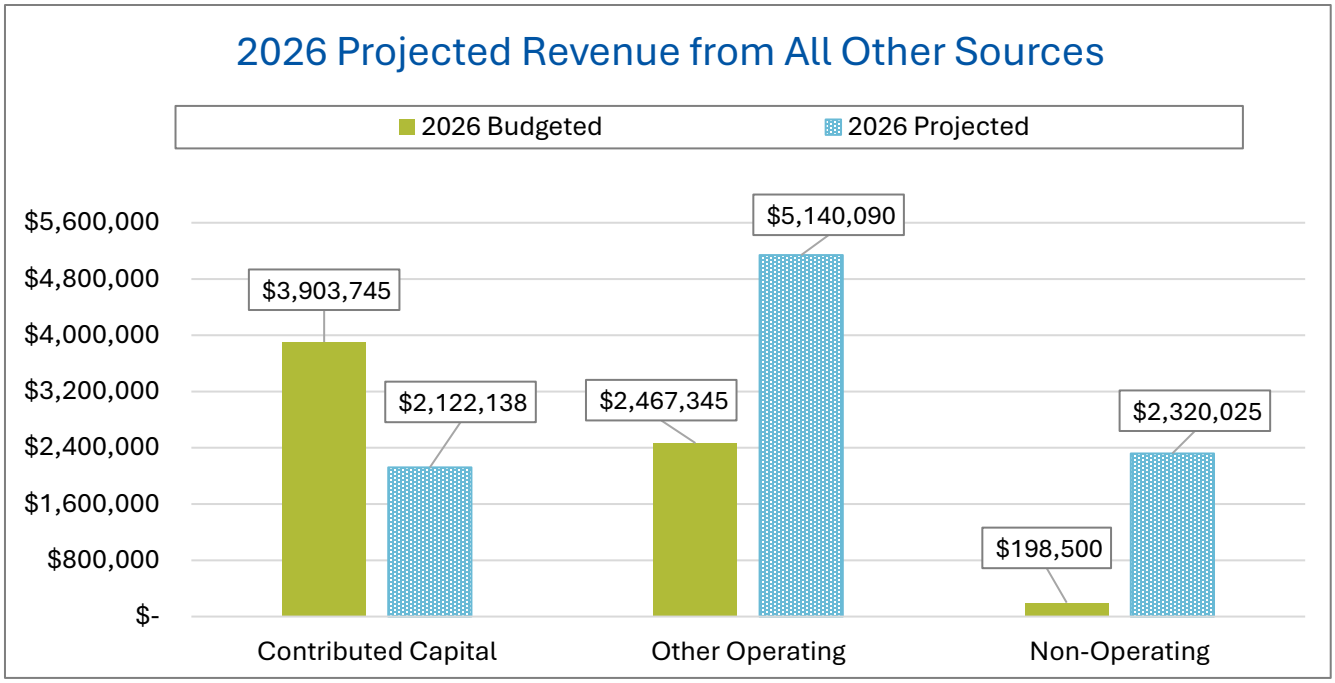
As discussed in the Budget Process section, during the annual budget process staff review actual revenues and expenditures against the adopted budget and prepare revised year-end projections. Where revisions are identified, staff work with Highlands Ranch Water's leadership and the Board to reallocate resources and update projected year-end activity. The following sections summarize revisions to the 2026 adopted budget based on actual activity and updated estimates. For presentation purposes, projected sources and uses of funds have been grouped into broad operating and capital categories to highlight significant budget revisions. Detailed information by individual fund is presented later in the Budget by Fund section.

2026 Projected Sources of Funds

The revisions to the 2026 adopted sources of funds are as follows:



Water utilization rate revenue is currently projected to total $1,026,085 (-2.7%) less than budget. The projection is based on actual revenues through August and estimated year-end activity using current consumption trends. Water demand started the irrigation season above historical averages due to warm, dry weather and increased outdoor watering. However, consumption moderated later in the season as customers responded to Stage 1 drought restrictions and drought-related pricing signals. As a result, projected year-end water demand is expected to remain below budget assumptions. Wastewater treatment revenue is projected to total approximately $106,300 (-0.6%) less than budget. Infrastructure Improvement Fee revenue is projected to remain generally consistent with budget.



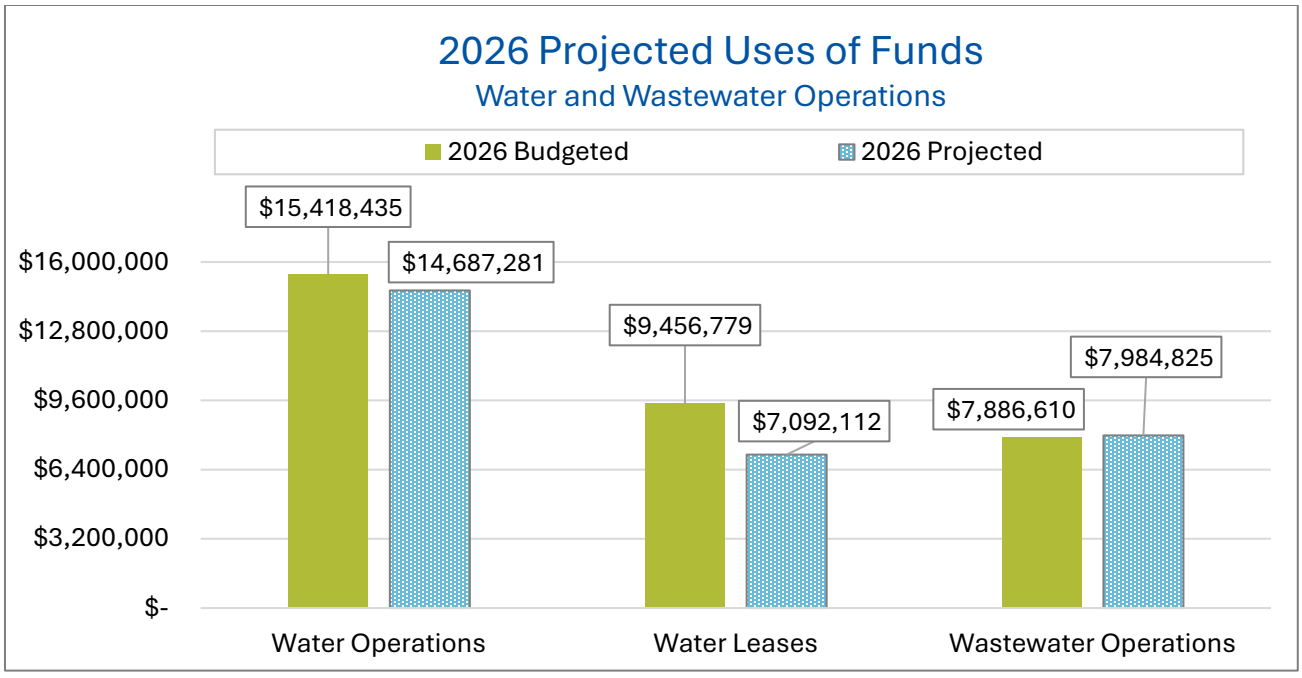
Contributed capital revenue was revised based on actual development activity and updated projections for reserve capacity purchases.

Other operating revenues were updated based on actual activity, including permits, penalties, final billing activity and shared cost allocations.Net investment income was increased based on actual earnings through the year, updated interest rate assumptions and higher-than-anticipated fund balances.

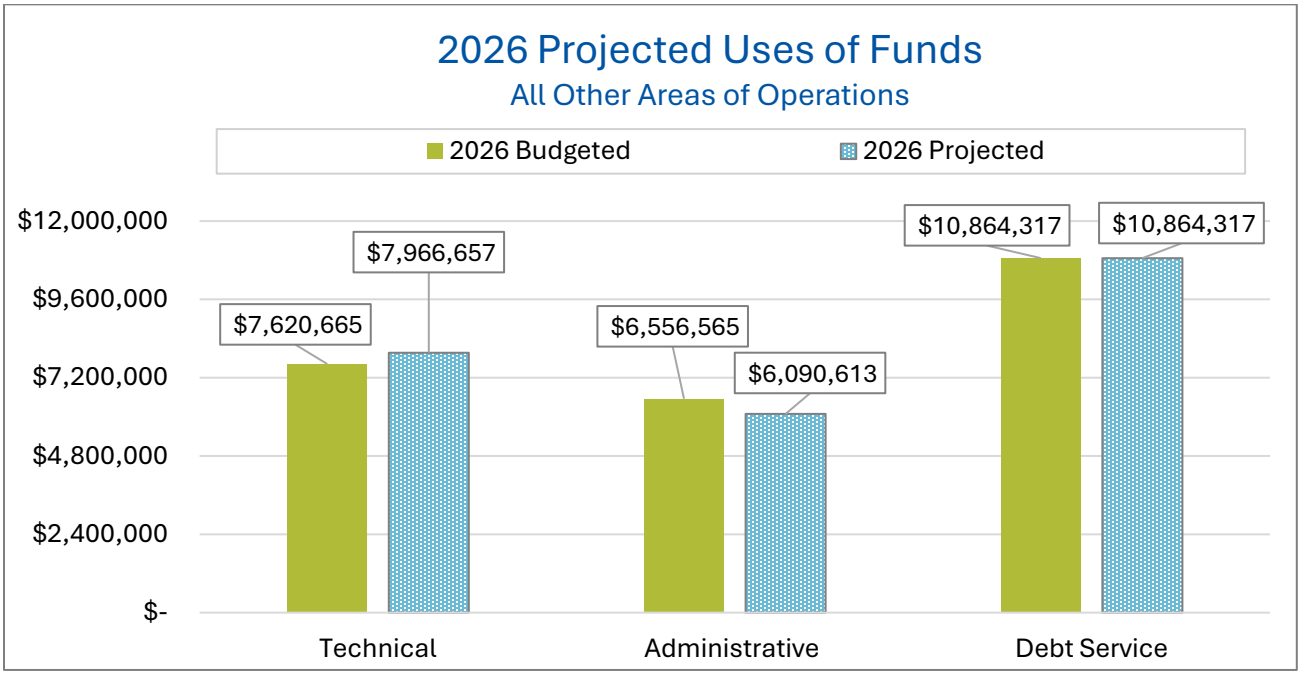
Non-operating revenue was revised to reflect PFAS-related settlement proceeds and associated interest income received from 3M, Tyco, and BASF. These funds will help offset future PFAS treatment and regulatory compliance costs.

2026 Projected Uses of Funds for Operations

The following revisions to the 2026 appropriated uses of funds for operations are proposed:



Water Operations expenditures are projected to finish $731,154 (-4.7%) below budget, primarily due to lower electricity costs for well and pumping operations, reduced groundwater treatment chemical costs, and the timing of meter replacement activities. Expenditures for water leases are projected to finish $2,364,667 (-25.0%) below budget due to lower-than-anticipated surface water lease costs and reduced WISE water purchases. Wastewater Operations expenditures are projected to exceed budget by $98,215 (1.2%), primarily due to higher lift station chemical treatment costs and staffing-related expenses.



Technical expenditures are projected to exceed budget by $345,992 (4.5%), primarily due to SCADA-related services and support costs. Administrative expenditures are projected to be lower than budget by $465,952 (-7.1%) primarily due to lower-than-anticipated legal and professional service costs, partially offset by increased credit card processing fees and other administrative operating expenses.

2026 Projected Uses of Funds for Capital

Capital projects are not appropriated with the budget but are instead presented to the Board and appropriated individually as they advance through planning, design and construction. As a result, the timing of project approvals, procurement activities and construction schedules can have a significant impact on annual spending projections.

The revisions below reflect updated project schedules, Board-approved appropriations and current estimates of cash expenditures expected during 2026 compared to the amounts anticipated in the adopted budget.

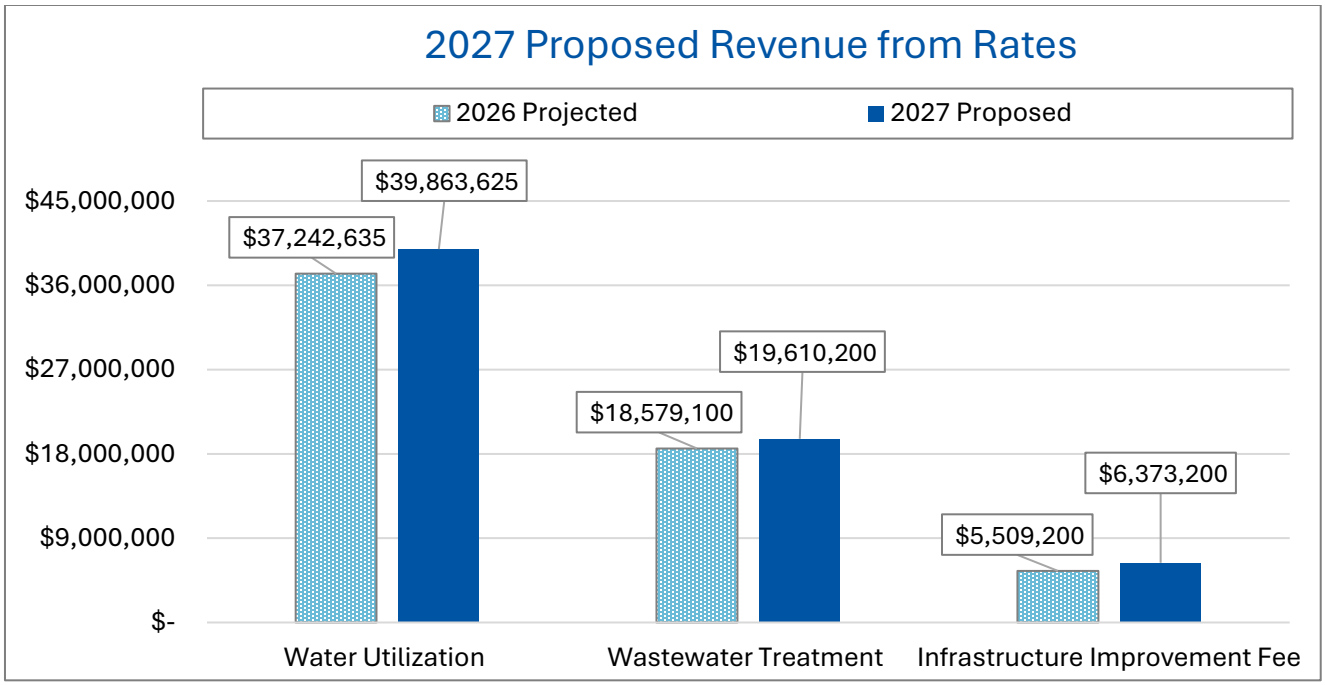
Project Category	2026 Budgeted	2026 Projected	Increase/(Decrease)
Rollforward from Prior Year	$ 14,012,125	$ -	0.0%
Water Treatment Plant	15,000,000	7,647,200	-49.0%
Wastewater Treatment Plant	6,000,000	3,775,000	-37.1%
Groundwater Treatment Plants and Well Redrills	631,000	279,241	-55.7%
Collection	600,000	12,600	-97.9%
Water Storage and Distribution	9,240,000	2,875,655	-68.9%
Administrative Facilities	150,000	74,906	-50.1%
SCADA	400,000	-	-100.0%
In-Tract Lines	1,775,000	1,977,500	11.4%
Vehicles & Equipment	1,149,000	1,166,343	1.5%
Water Acquisition	4,100,000	736,100	-82.0%
Total	$ 53,057,125	$ 18,544,545	-65.0%

Budget-in-Brief – 2027 Proposed Budget

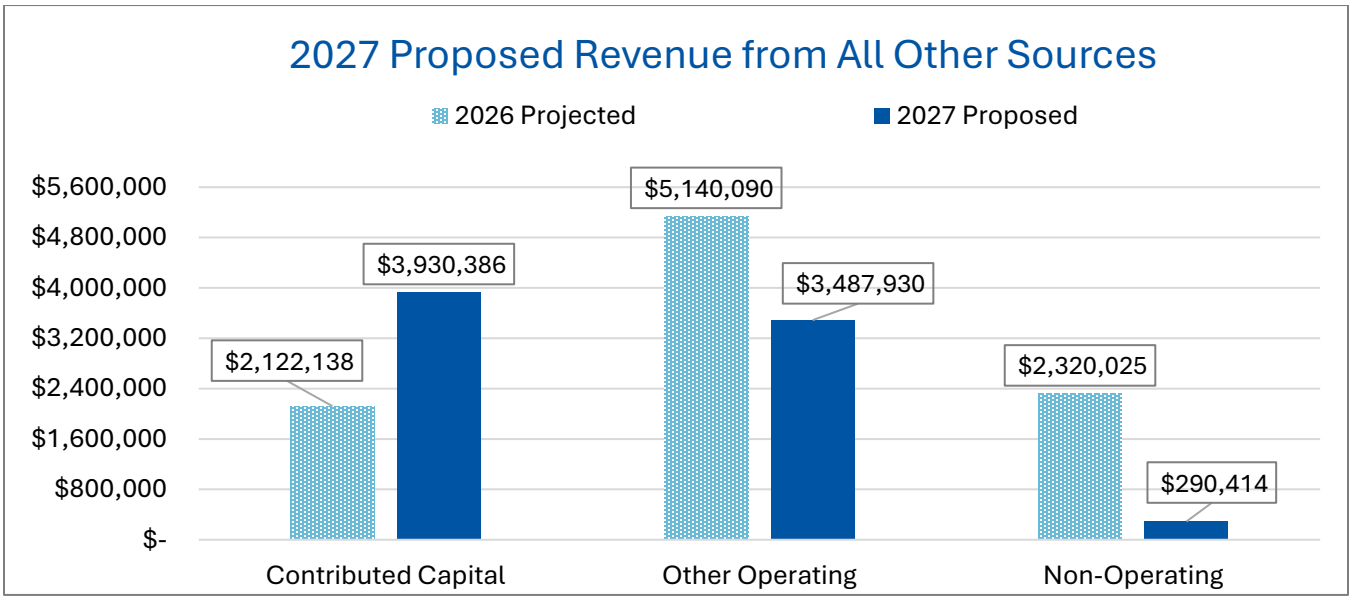
The sections below provide a brief summary of the Proposed 2027 budget.

2027 Proposed Sources of Funds

The following graph illustrates the changes between projected 2026 sources of funds and proposed 2027 sources of funds.



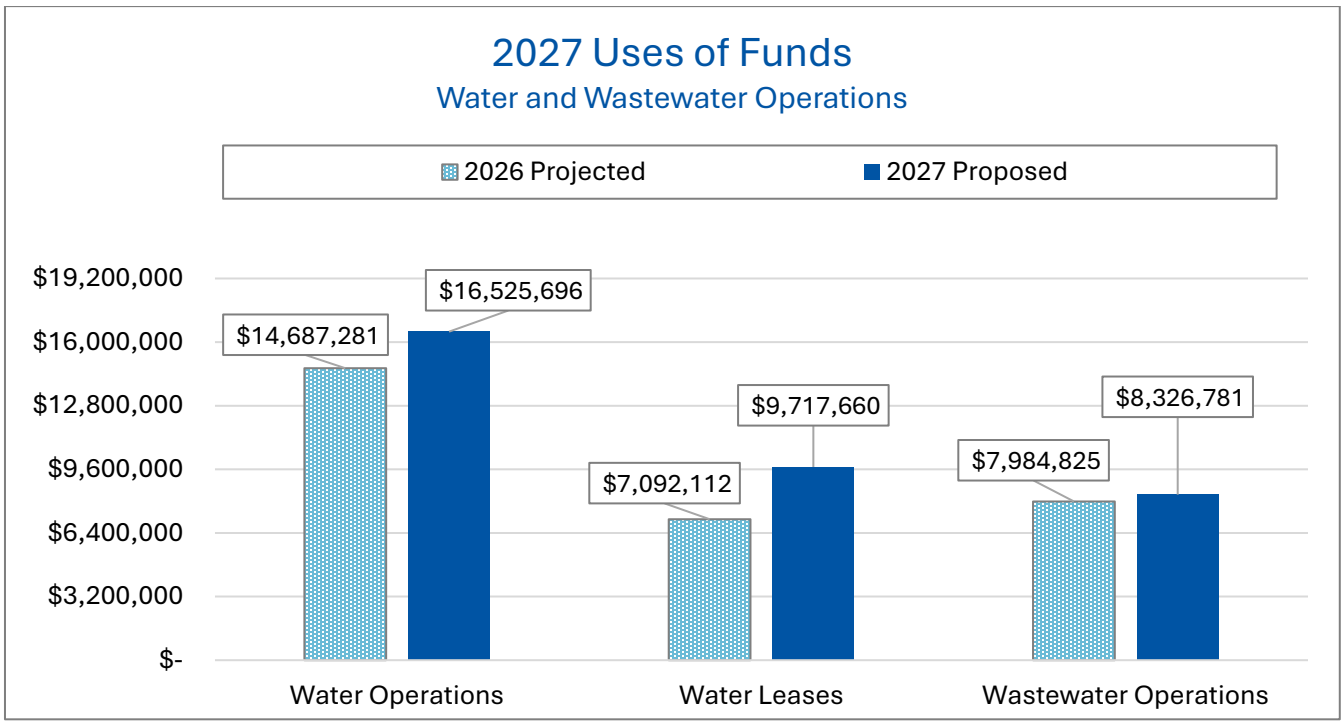
Revenue from rates and fees, including Water Utilization, Wastewater Treatment and Infrastructure Improvement Fees, is projected to increase by $4.5 million (7.4%) in 2027. The increase is primarily attributable to proposed rate adjustments, growth in Infrastructure Improvement Fee revenues, and updated consumption assumptions.

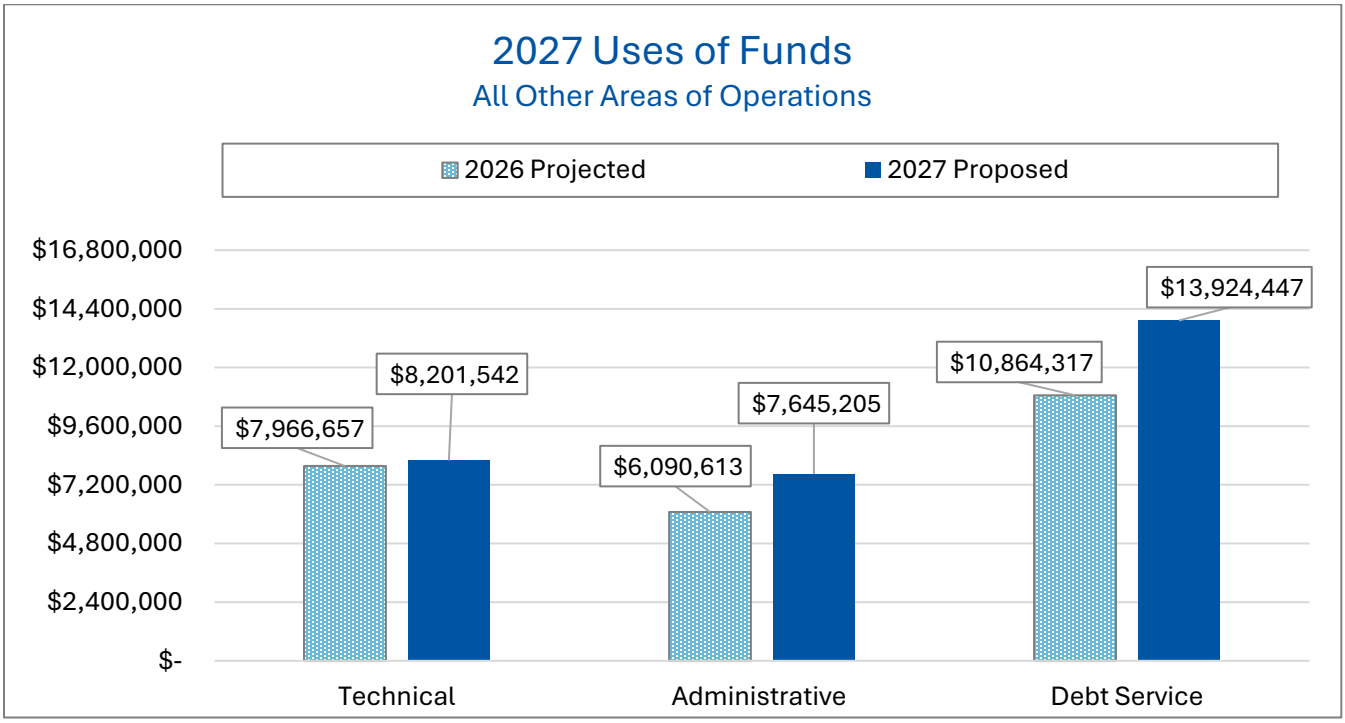


The 2027 reductions in Other Operating and Non-Operating revenue are primarily attributable to nonrecurring revenues recognized in 2026, including elevated investment income and PFAS-related settlement proceeds.

2027 Proposed Uses of Funds for Operations

The following graph shows the changes between the budgeted 2027 uses of funds as compared to the 2026 projected uses of funds:





The budgeted 2027 uses of funds for operations are increasing by approximately $9.7 million (13.1%) over 2026 projected expenditures. The increase is driven primarily by a $2.6 million increase in water lease costs associated with surface water and WISE purchases, a $3.1 million increase in debt service obligations, expanded meter replacement activities, increased treatment chemical costs, and annual salary and benefit adjustments across operations and support functions.

2027 Uses of Funds for Capital

The proposed 2027 capital program totals approximately $41.9 million and reflects continued investment in the infrastructure necessary to provide safe and reliable water and wastewater service to the community. The largest expenditure categories are Water Treatment Plant improvements ($23.7 million), Water Storage and Distribution improvements ($8.4 million), Groundwater Treatment Plants and Well Redrills ($2.6 million), and Wastewater Treatment Plant improvements ($2.9 million). Additional funding is dedicated to Water Acquisition ($1.0 million), In-Tract Line Replacements ($900,000), SCADA improvements ($400,000), and Vehicle and Equipment Replacement ($1.3 million).

The chart below summarizes planned 2027 capital expenditures by major project category.

Project Category	**2027 Proposed**
Water Treatment Plant	$ 23,728,000
Wastewater Treatment Plant	2,937,700
Groundwater Treatment Plants and Well Redrills	2,600,000
Collection	600,000
Water Storage and Distribution	8,392,000
SCADA	400,000
In-Tract Lines	900,000
Vehicles & Equipment	1,345,520
Water Acquisition	1,030,500
Total	$ 41,933,720

Budget Priorities

The primary factors that guided the creation of the 2027 budget include:

- Budgeting expenditures which align with Highlands Ranch Water's Vision, Mission and Strategic Plan while recognizing changing water demands, rate collection variability, and ongoing inflationary pressures.
- Maintaining and replacing critical infrastructure through capital investment funded by a combination of current revenues, existing fund balances, and planned debt financing for major projects.
- Promoting long-term water sustainability through conservation programs, efficient water use, and drought-response planning.
- Providing staff with the technology, equipment, and operational resources necessary to ensure safe, reliable, and efficient utility operations.
- Retaining and developing employees through competitive compensation and benefits that support recruitment and long-term retention.

Managing Challenges

When developing the budget, staff evaluate operational, regulatory, financial, and infrastructure-related challenges that may impact service delivery and the financial resources required to address those challenges.

Water Supply

Water is a precious resource in the arid West, and water supply management is a vital component of the Highlands Ranch Water operations and a significant driver of the annual budget. Highlands Ranch Water 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.

While Highlands Ranch Water has sufficient groundwater resources to meet the community's indoor water needs, it has relied primarily on renewable surface water supplies while maintaining groundwater resources as a reliable supplemental supply during dry periods. Since 1982, surface water has accounted for 85% of Highlands Ranch Water's water supply.

Highlands Ranch Water holds short and long-term surface water leases in its portfolio to provide water to the community in a cost-effective manner. For long-term resource planning purposes, Highlands Ranch Water assumes annual water requirements of approximately 18,500 acre-feet, consisting of 17,000 acre-

feet of billable demand and system losses plus approximately 1,500 acre-feet of reservoir evaporation losses. This planning assumption helps ensure adequate water supplies, storage, treatment capacity, and delivery infrastructure are available to meet future demands despite annual fluctuations in weather, conservation participation, and drought restrictions. Revenue forecasting assumptions are developed separately from long-term resource planning and are based on expected annual consumption patterns. Recent customer demand has averaged approximately 4.5 billion gallons per year (about 15,000 acre-feet), significantly below the long-term planning assumption, and 2026 demand is projected to finish below historical norms due to Stage 1 drought restrictions and conservation efforts. Although customer demand was reduced during the drought period, hot and dry summer conditions continued to drive irrigation demand.

Highlands Ranch Water offers several efficiency rebates and incentives, including turf replacement, irrigation equipment retrofits, and partnerships with conservation minded organizations. Conservation remains a critical component of Highlands Ranch Water's long-term strategy to preserve finite groundwater resources, responsibly manage demand and enhance drought resiliency. Highlands Ranch Water continues to balance environmental stewardship with fiscal responsibility while securing a reliable water supply for the future.

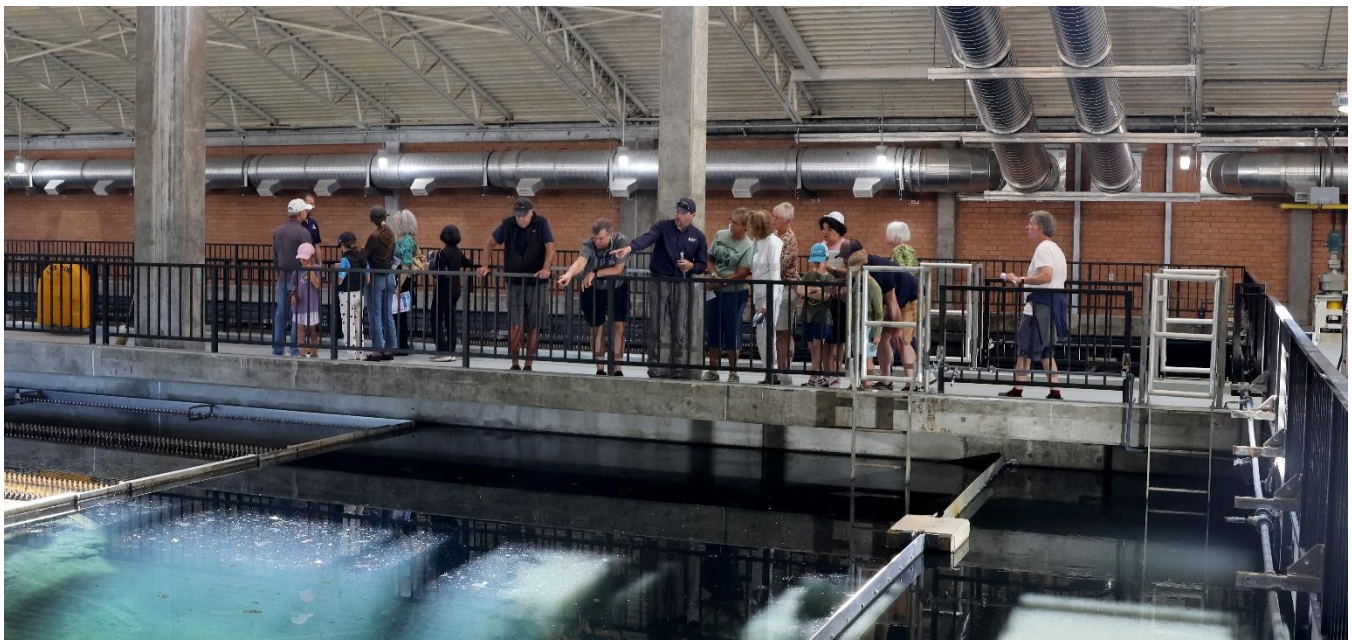
Regulatory

Federal and state regulations can have significant impact on District operations. Regulatory requirements related to water quality, treatment standards, infrastructure resiliency and environmental compliance continue to evolve. As these requirements continue to evolve, the financial impact of future legislative and regulatory changes remains uncertain. While some emerging requirements can be anticipated and budgeted for, they may still require significant operational and financial resources to implement. Highlands Ranch Water 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. Highlands Ranch Water continues to monitor emerging federal and state regulations to evaluate potential impacts on future operations, capital projects and operating costs.

Compliance with current regulations include, but is not limited to, the following:

- Managing an industrial pretreatment program through annual inspections and monitoring of commercial facilities within the service area. 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 and security systems help 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

Highlands Ranch Water has the responsibility for safeguarding the community's water resources and maintaining the infrastructure necessary to reliably deliver water and wastewater services. The largest cost component of the 10-year Capital Improvement Plan (see pages 92-98) remains the ongoing upgrades to the Joseph B. Blake Water Treatment Plant (JBWTP). However, the Capital Improvement Plan also includes significant investments in water storage and distribution infrastructure, groundwater treatment facilities, collection systems, water acquisition, in-tract line replacement, SCADA systems, and vehicle and equipment replacement. Over the 10-year planning horizon, water treatment projects account for more than $111 million of planned capital investment, making them the largest component of the Capital Improvement Plan.

Staff and the Board are committed to responsibly funding these necessary upgrades in a fiscally prudent manner, making funds available while ensuring the reliable continuity of District operations. In 2024, Highlands Ranch Water issued $70 million in revenue bonds to assist in funding a portion of the JBWTP improvements. As Highlands Ranch Water currently holds a AAA rating from S&P and a AAA rating from Fitch, the bond terms are very favorable and allowed Highlands Ranch Water to “spread out” the cost of these upgrades over 30 years through debt payments versus dramatic increases in rates. As capital needs continue to evolve, staff and the Board continue to evaluate financing strategies necessary to support future phases of critical infrastructure improvements while balancing affordability and long-term financial sustainability.

In 2023, staff evaluated current and projected financial resources available to support the entirety of the 10-year Capital Improvement Plan. As a result, the Board implemented an Infrastructure Improvement Fee dedicated exclusively to capital and major repair project funding. The fee was increased in 2026 and is proposed to increase by an additional 15% in 2027, from $19.50 to $22.42 per bi-monthly bill for a standard ¾-inch tap equivalent. The fee is projected to generate approximately $6.3 million in 2027 and remains an important funding source for long-term infrastructure renewal and replacement projects.

Long-term capital planning is essential to maintaining the reliability, resiliency and operational performance of Highlands Ranch Water's infrastructure. The proposed 2027 capital program totals approximately $42.6 million, reflecting continued investment in water treatment, water supply, water storage and distribution infrastructure, wastewater facilities, and system reliability improvements. Highlands Ranch Water closely scrutinizes the CIP against the known availability of financial resources and identifies areas where further financial support may be required.

Technology

Technology continues to impact nearly every aspect of Highlands Ranch Water's operations. Highlands Ranch Water began implementation of Advanced Metering Infrastructure (AMI) in 2020. AMI automates the water meter data collection process and provides enhanced information to assist in identifying system leaks, improving operational efficiency, and helping customers make informed decisions regarding their water use. As part of the Board's long-term goal of transitioning to monthly billing, the 2027 budget includes funding to increase the annual residential meter replacement program from 1,800 to 2,700 meters per year. Accelerating replacement of older meters will expand AMI coverage throughout the system, improve data quality, and support future billing and customer service enhancements.

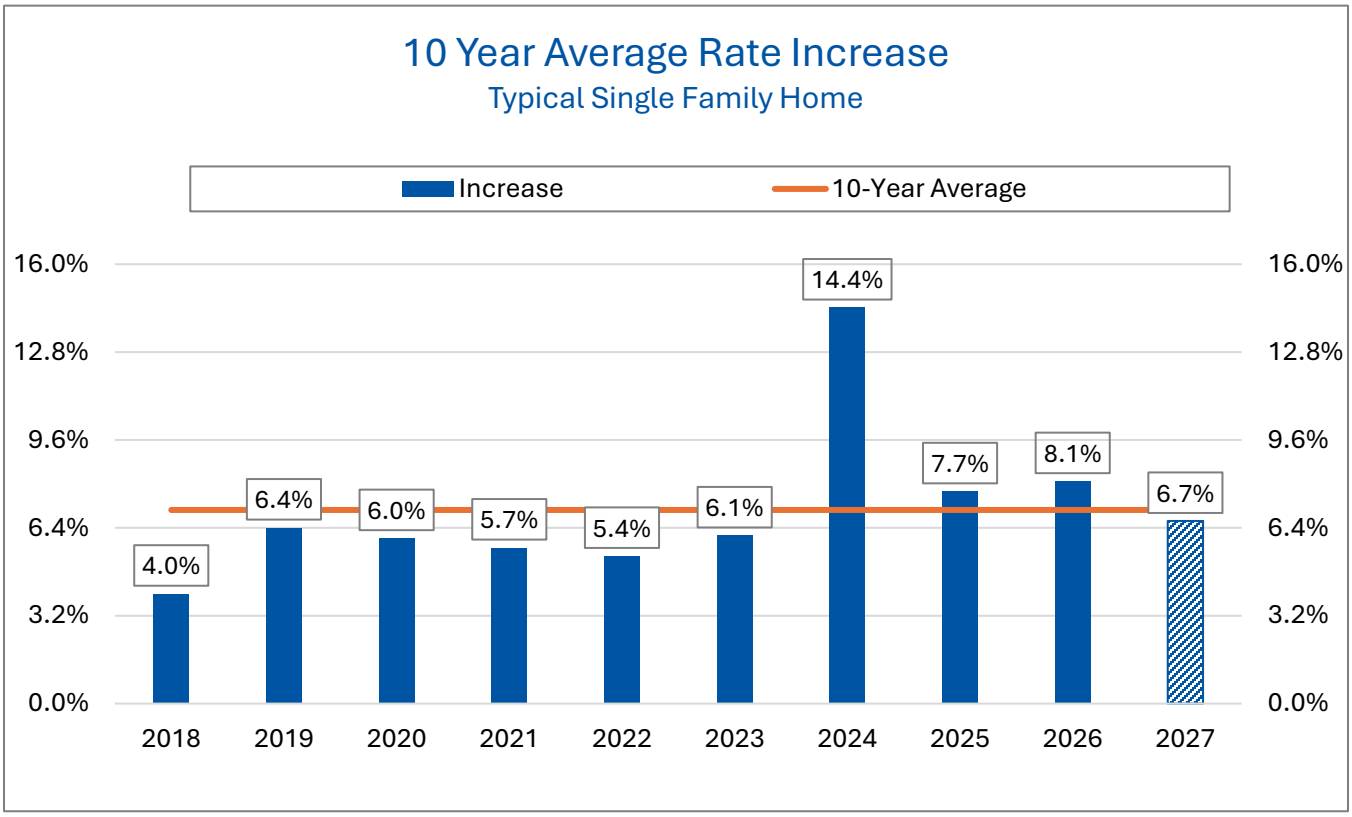
In addition to AMI, Highlands Ranch Water continues to invest in SCADA systems, operational software, asset management tools, and other technology platforms necessary to support efficient, reliable and secure utility operations.

Changes to Service Levels and Rates

During the budget process, finance staff and District leadership evaluate the costs required to provide water and wastewater services over the next 10 years, including investments needed to maintain infrastructure, meet regulatory requirements, and support anticipated growth. These costs are incorporated into the District's long-term financial model, which is used to determine the rate adjustments necessary to ensure reliable service and meet future operational and capital needs.

2027 Changes to Rates

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

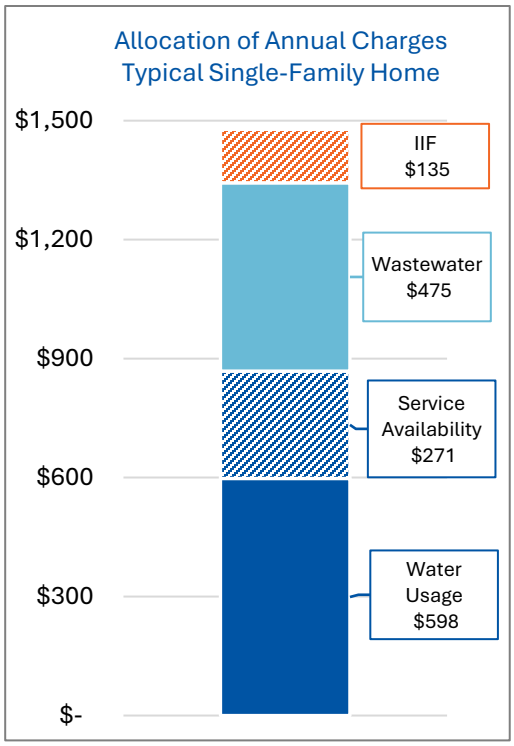


**The increase in 2024 is due to the implementation of the Infrastructure Improvement Fee. Excluding this fee in 2025 and 2026, the increase was 5.8% and 7.5% respectively.*

For 2027, staff proposes a 5.0% increase to most base water and wastewater rates, a 6.0% increase to water service availability charges, and a $2.92 monthly increase to the Infrastructure Improvement Fee. For a typical single-family residence using approximately 100,000 gallons of water annually, the combined effect of these adjustments is estimated to increase the average monthly bill by 6.7%.

Below is a summarized version of the proposed increases to rates. The detailed schedule can be found in Appendix 7.

Metered Water	2026 Rate	2027 Proposed Rate	% Change
Single Family	$5.69	$5.98	5%
Non-residential & Multi-Family			
Indoor	$4.93	$5.18	5%
Irrigation	$6.04	$6.40	6%
Water Service Availability	**2026 Rate**	**2027 Proposed Rate**	**% Change**
Single Family	$21.28	$22.56	6%
Multi-Family	$13.19	$13.98	6%
Non-Residential *(per 3/4" equivalent)*	$21.28	$22.56	6%
Wastewater Fixed	**2026 Rate**	**2027 Proposed Rate**	**% Change**
Single Family	$16.61	$17.44	5%
Multi-Family	$16.61	$17.44	5%
Non-Residential *(per 3/4" equivalent)*	$16.61	$17.44	5%
Wastewater Usage	**2026 Rate**	**2027 Proposed Rate**	**Change**
Single Family	$5.08	$5.34	5%
Multi-Family	$5.08	$5.34	5%
Non-Residential	$5.08	$5.34	5%
Infrastructure Improvement (per 3/4" equivalent)	**2026 Rate**	**2027 Proposed Rate**	**% Change**
Single Family	$19.50	$22.42	15%
Multi-Family	$9.75	$11.21	15%
Non-Residential	$9.75	$11.21	15%



Projected Changes to Service Levels

Our service area is nearing build-out and, as such, the number of new single-family equivalents (SFEs) served will decline each year. The table below shows the actual, projected, and anticipated SFEs served through 2027:

Service Area	Prior to 2025	Added in 2025	Anticipated for 2026	Anticipated for 2027
Highlands Ranch	44,041	60	-	165
Solstice	848	88	100	100
Northern Douglas County	2,102	4	2	-
Total	**46,991**	**152**	**102**	**265**

Sources of Funding



Summary

Highlands Ranch Water 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 graphic below illustrates type of expenditures and funding sources that support them:



Operations

- Water and wastewater rates
- Other water related charges
- Intergovernmental agreements
- Non-operating revenue
- Investment income



Capital, Major Repair, and Debt Service

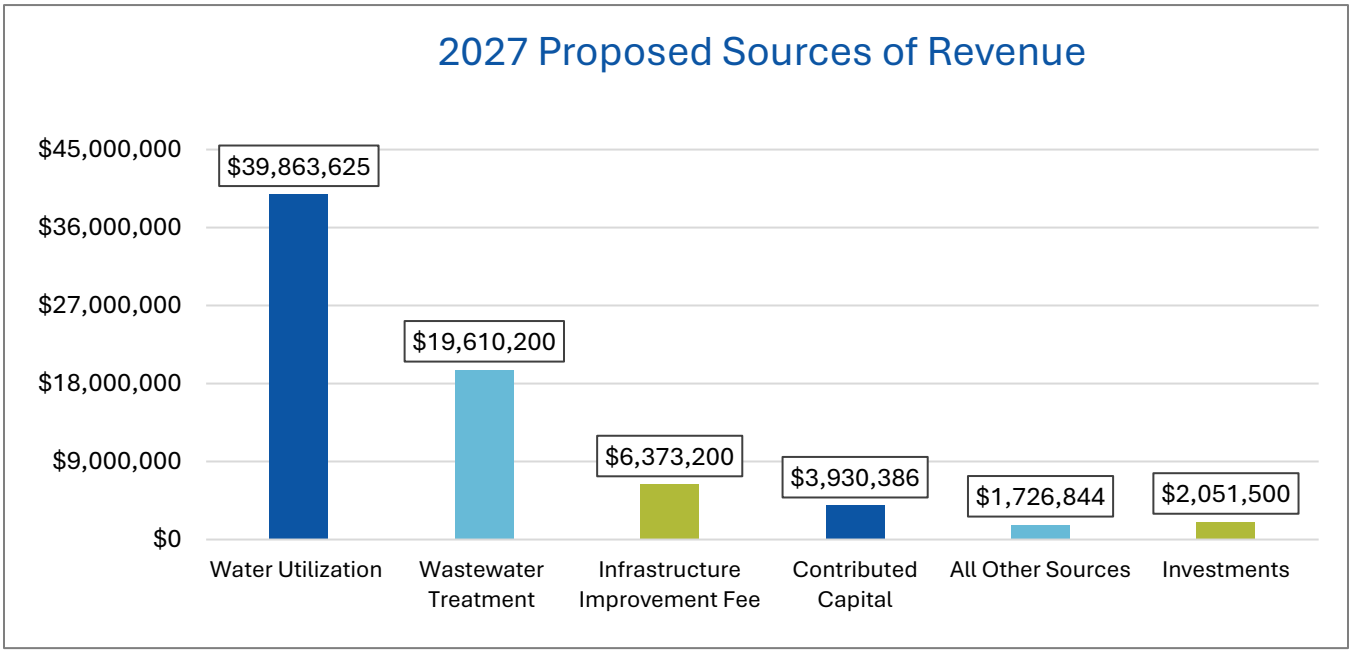
- Water and wastewater rates
- Contributed capital
- Infrastructure Improvement Fee
- Investment income



The table below summarizes all District funding sources for 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed:

	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	% Change vs. 2025 Actual	% Change vs. 2026 Projected
Sources of Funds						
Water Utilization	$ 36,423,902	$ 38,268,720	$ 37,242,635	$ 39,863,625	9.4%	7.0%
Wastewater Treatment	17,029,919	18,685,400	18,579,100	19,610,200	15.2%	5.5%
Infrastructure Improvement Fee	4,166,626	5,544,000	5,509,200	6,373,200	53.0%	15.7%
Intergovernmental	660,259	958,595	801,690	956,430	44.9%	19.3%
Other Operating	454,018	486,850	545,000	480,000	5.7%	-11.9%
Non-Operating	3,637,353	198,500	2,320,025	290,414	-92.0%	-87.5%
Net Investment Income	7,188,710	1,021,900	3,793,400	2,051,500	-71.5%	-45.9%
Contributed Capital	2,320,683	3,903,745	2,122,138	3,930,386	69.4%	85.2%
Total Sources of Funds	**$ 71,881,470**	**$ 69,067,710**	**$ 70,913,188**	**$ 73,555,755**	**1.1%**	**3.7%**

The graph below shows the break-out of Highlands Ranch Water's projected sources of revenue for the proposed 2027 budget:



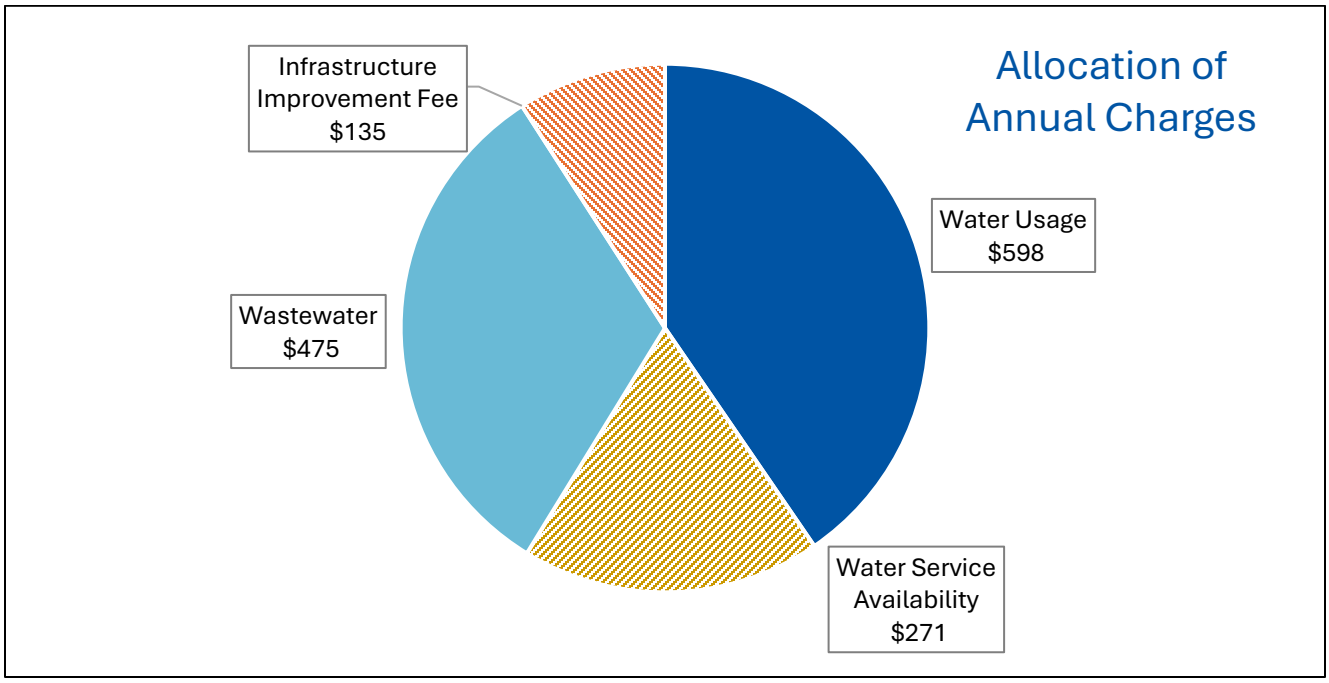
2027 Water and Wastewater Rates

Highlands Ranch Water does not levy property taxes, and because the service area is nearing full build-out, rate-setting requires balancing affordability for customers with the need to maintain reliable service and invest in critical infrastructure.

For 2027, staff proposes a 5.0% increase to most water and wastewater rates, a 6.0% increase to water service availability charges, and a $2.92 monthly increase to the Infrastructure Improvement Fee. For a typical single-family residence, these adjustments result in an estimated 6.7% increase in annual charges.

	2025 Adopted	2026 Adopted	2027 Proposed
Water Usage	$ 537	$ 570	$ 598
Water Service Availability	230	255	271
Wastewater	425	444	475
Infrastructure Improvement Fee	90	117	135
Typical Single Family Annual Charges	**$ 1,282**	**$ 1,386**	**$ 1,479**

The graph below illustrates the allocation of annual charges among the various components of a typical residential bill.



The proposed rates are intended to address rising operating costs and support ongoing capital investment, including major improvements at the District's Joseph B. Blake Water Treatment Plant. These improvements will increase treatment capacity, enhance system redundancy, replace aging infrastructure, and help ensure compliance with evolving water quality regulations.

Water Budgets

To encourage water conservation, Highlands Ranch Water implemented an innovative water budgeting program in 2002. The outdoor irrigation water budget provides sufficient water to maintain healthy

landscapes while promoting efficient use of water resources. Progressively higher rates for usage above the allotted budget encourage conservation. However, customers are billed only for the water they actually consumed, regardless of their water budget allocation.

- Residential bi-monthly water bills are structured using separate indoor and outdoor water budget allocations. For 2027, single-family residential customers in Highlands Ranch will receive a baseline indoor water allocation of 9,000 gallons per bimonthly billing period for indoor use, based on average winter water use and adjusted for household population (for more than 3 residents) upon request. Multi-family and Solstice residents are allocated 4,500 gallons per month. Highlands Ranch Water adjusted the indoor budget for 2027 based on actual residential average indoor demand over the past 5 years, as measured during non-irrigation months.

  The outdoor irrigation component provides an allocation tailored to the lot size. Residential customers are allocated 27 inches of water over the irrigation season (April through October) per irrigable turf area, which is assumed to be 45% of the total property area. After October 31, when outdoor water budgets end, customers are allocated 1,000 gallons per billing cycle (or 500 gallons per month) for supplemental outdoor watering during dry periods. These numbers have been in place since 2003 and will not change in 2027.

- For non-residential customers, the indoor water budget is based on meter size. For irrigation customers, the outdoor water budget is calculated using the actual irrigated area served by the meter, with a base allocation of 27 inches over the irrigation season.

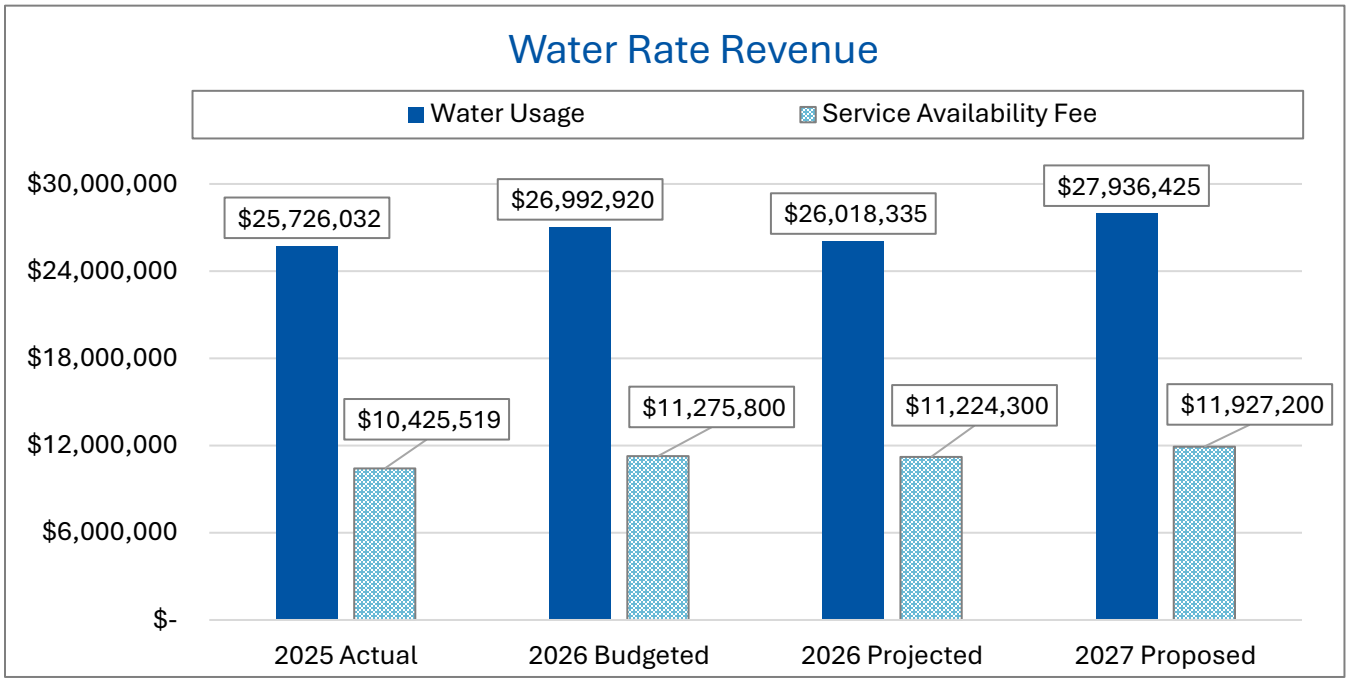


Water Rates

Highlands Ranch Water uses three primary water rate components:

1. Base Rate - recovers the operating costs of providing water service to customers. The rate charged varies by customer type: residential; multi-family; non-residential; and irrigation.
2. Service Availability Fee - based on meter size and designated to recover the costs associated with debt service, billing, meter replacement, capital, and major repair project expenditures.
3. Drought rates - separate rates established for Stage 1 and Stage 2 drought conditions. If warranted by water supply conditions, the Board may declare a drought stage and activate the applicable drought rates.

The graph below shows the water rate revenue for 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed:

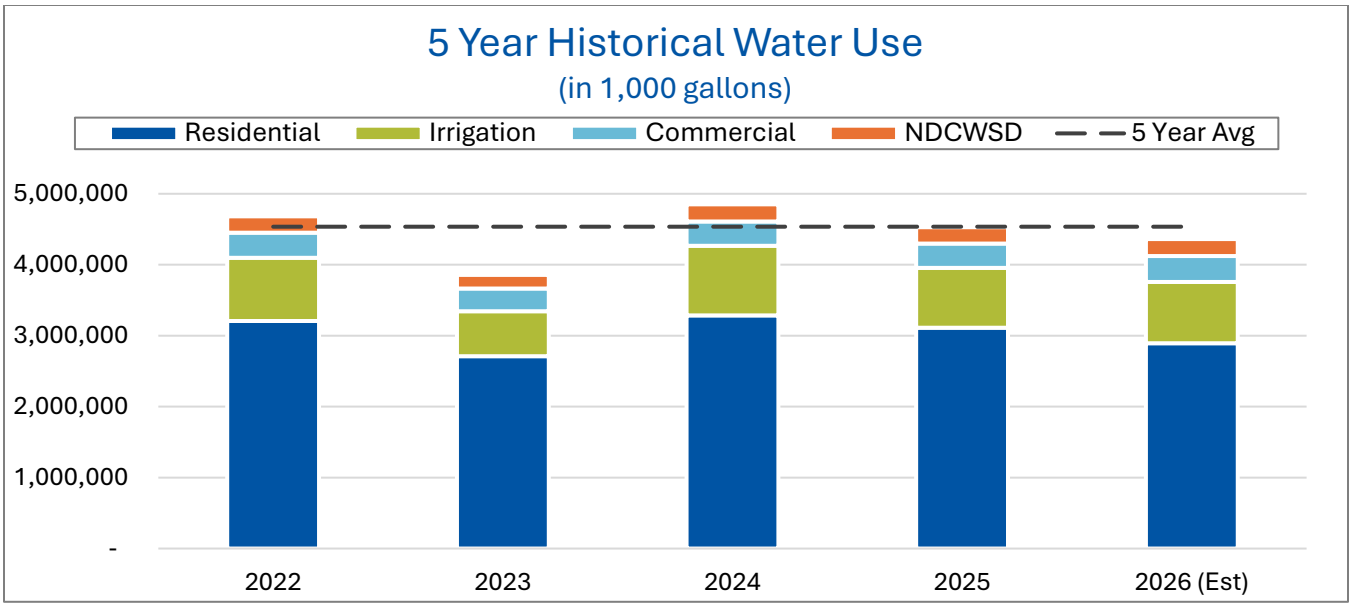


The 2027 budget anticipates water rate revenue of $39.8 million, an increase of $3.6 million (10.1%) compared to 2025 actual revenue and $2.6 million (7.0%) compared to 2026 projected revenue. The increase is primarily attributable to a 5.0% increase in most water rates, a 6.0% increase in irrigation rates and Service Availability Fees, and changes in water demand.

Budgeting for Water Rate Revenue

Because weather conditions can significantly impact customer billings, Highlands Ranch Water uses a five-year historical average of actual water consumption to develop its water usage revenue forecast. Using a multi-year average helps smooth the impacts of unusually wet or dry years and provides a more stable basis for budgeting. For example, during wetter years, such as 2023, customers typically use less outdoor irrigation water, resulting in lower water usage revenues. In 2023, water usage revenue was approximately $3.9 million (8.9%) below budget as a result of reduced customer demand.

The five-year historical water use average used in budget development is shown below.



The table below provides additional detail on water usage by customer class.

Customer	2022	2023	2024	2025	2026 (Est)	5-Year Average
Residential	3,207,710	2,711,800	3,285,350	3,112,650	2,892,850	3,042,070
Irrigation	890,970	632,270	980,340	843,380	865,000	842,390
Commercial	353,110	319,810	344,620	341,630	365,430	344,920
NDCWSD	229,430	193,040	239,540	230,080	238,330	226,080
Total	**4,681,220**	**3,856,920**	**4,849,850**	**4,527,740**	**4,361,610**	**4,535,680**

Because approximately 40% of Highlands Ranch Water's operating revenue is derived from water usage charges, staff closely monitor consumption trends throughout the year and regularly update the Board on actual and projected water demand.

If water usage revenues are projected to fall below budget, staff evaluate a variety of options during the revised budget process, including:

1. Reducing operating expenditures where appropriate.
2. Deferring major repair projects to future years to reduce transfers from the Operating Fund to the Capital and Major Repair Fund.
3. Evaluating the need for a transfer from the Financial Assurance Fund, which was established to help manage unforeseen events that negatively impact water usage revenues.

Highland Ranch Water has successfully managed this revenue risk through the practices outlined above.

To project water usage revenue for the budget year, Highlands Ranch Water applies the proposed water rates to a rolling five-year average of actual water use.



To promote conservative budgeting and account for variability in weather and customer demand, projected water usage revenue is budgeted at 95% of the amount calculated using the formula above.

Budgeting for Service Availability Fee Revenue

To project Service Availability Fee revenue for the budget year, staff perform the following calculation:

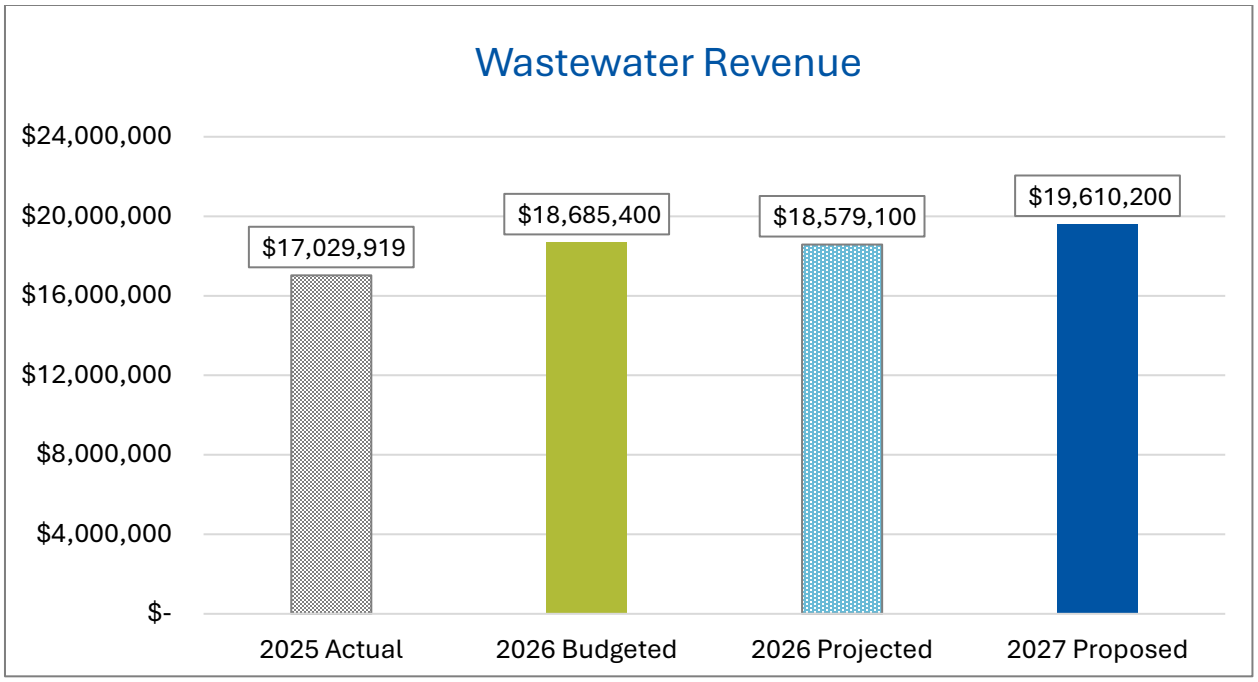


Wastewater Rates

Highlands Ranch Water charges two separate rates for wastewater. They are:

1. Variable Usage Charge - recovers operating costs associated with wastewater services. The rate charged varies by customer type: single-family, multi-family, and commercial.
2. Fixed Base Rate - recovers the cost of debt service, billing, meter replacement and capital and major repair project expenditures. The rate is based on meter size.

The graph below shows wastewater rate revenues for 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed budget:

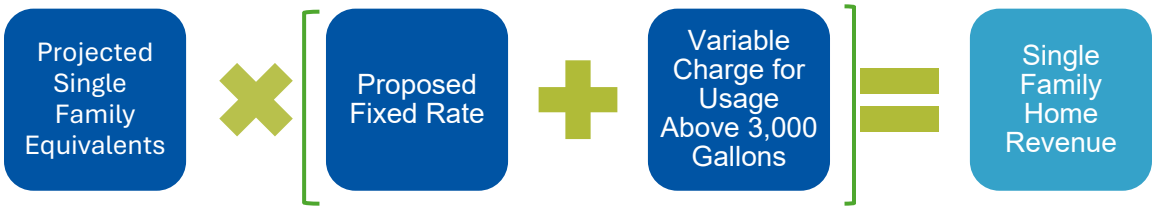


The 2027 budget anticipates wastewater fee collections of approximately $19.6 million, an increase of $2.6 million (15.2%) over 2025 actual revenues and $1.0 million (5.5%) over 2026 projected revenues. The increase is primarily attributable to the proposed 5.0% increases in both wastewater fixed and wastewater usage rates, as well as continued customer growth.

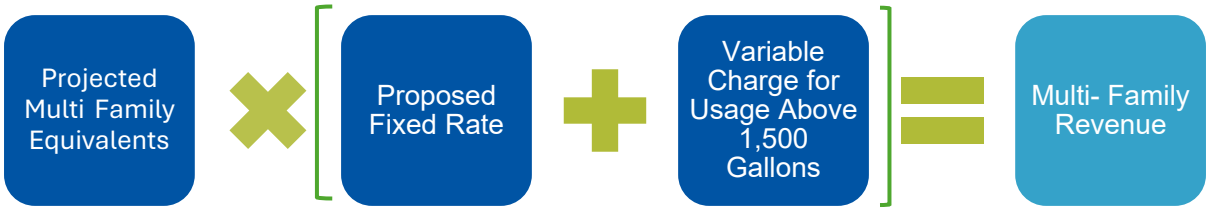
Budgeting for Wastewater Revenue

Wastewater revenue is projected using different methodologies based on customer type. Because wastewater flows cannot be directly measured for most customers, usage charges are based on customer-specific wastewater billing factors and the applicable wastewater rates.

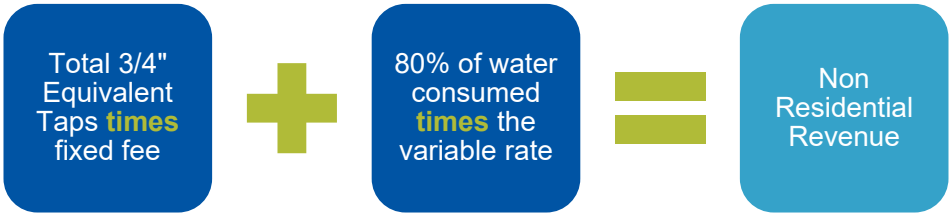
1. Single-Family Customers – wastewater revenue is calculated as follows:



2. Multi-Family Households - revenue is calculated as follows:



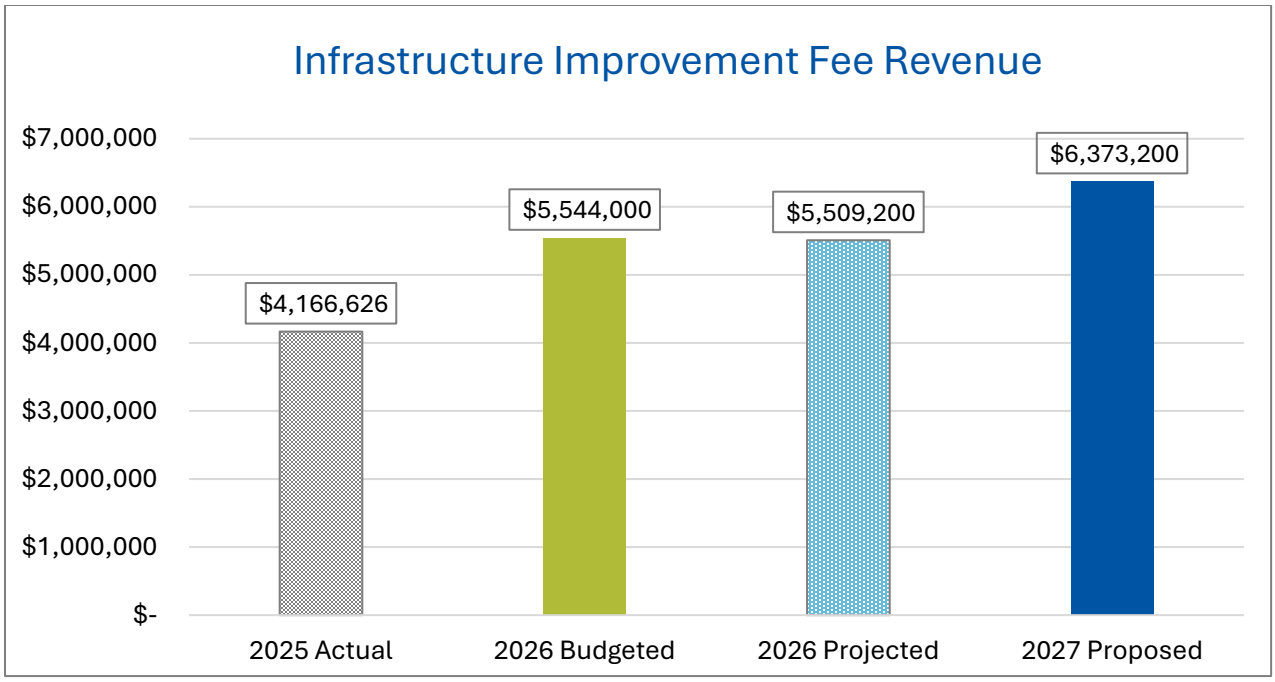
3. Non-residential customer revenue is calculated as follows:



Infrastructure Improvement Fee

The Infrastructure Improvement Fee (IIF) was established to provide a dedicated funding source for critical infrastructure replacement and rehabilitation projects. In 2024, the Board adopted an Infrastructure Improvement Fee of $7.50 per month per ¾-inch single-family equivalent. The fee increased to $9.75 per month in 2026 and is proposed to increase by 15.0% to $11.21 per month for a single-family residential account in 2027. Similar increases are proposed for multi-family and non-residential customers based on their single family equivalent (SFE) meter size.

The graph below shows Infrastructure Improvement Fee revenues for 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed.



Infrastructure Improvement Fee revenue is projected to increase from $5.5 million in 2026 to $6.4 million in 2027, an increase of approximately $864,000 (15.7%). The increase is primarily attributable to the proposed 15.0% fee increase and projected growth in single-family equivalent accounts served by Highlands Ranch Water.

Contributed Capital

Highlands Ranch Water 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, Highlands Ranch Water will see a decrease in this revenue over time.

A detailed breakout of contributed capital revenue for 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed is as follows:

	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	% Change vs. 2025 Actual	% Change vs. 2026 Projected
Contributed Capital						
Metro District Reserved Capacity	$ 387,026	$ 450,260	$ 450,260	$ 360,656	-6.8%	-19.9%
MMD Tap Fees	1,224,960	1,276,000	1,276,000	1,276,000	4.2%	0.0%
MMD Options Payments	115,140	57,285	87,780	30,780	-73.3%	-64.9%
NDC Options Payments	53,985	-	137,533	-	-100.0%	-100.0%
Water Acquisition Surcharge	230,880	355,200	-	244,200	5.8%	100.0%
Channel Stabilization Surcharge	15,000	60,000	-	41,250	175.0%	100.0%
In-Tract Lines	-	1,705,000	-	1,977,500	100.0%	100.0%
Other Contrbuted Capital	136,302	-	-	-	-100.0%	0.0%
Roxborough Water Tap Fees	157,390	-	170,565	-	-100.0%	-100.0%
Total Contributed Capital	**$ 2,320,683**	**$ 3,903,745**	**$ 2,122,138**	**$ 3,930,386**	**69.4%**	**85.2%**

Contributed capital revenues can vary significantly from year to year because they are tied to the timing of development activity, reserve capacity purchases, and capital projects funded by external parties. To develop the budget, staff reviews anticipated development activity, planned reserve capacity purchases, and expected reimbursement agreements for the upcoming year.

Contributed capital revenue is projected to increase from approximately $2.1 million in 2026 to $3.9 million in 2027. The increase is primarily attributable to a $2.0 million expected capital contribution from the Highlands Ranch Metro District to fund in-tract water line replacement projects.

Reserved Capacity

Highlands Ranch Water and the Highlands Ranch Metro District (Metro District) entered into the Highlands Ranch Water and Wastewater Agreement on December 18, 1990, under which Highlands Ranch Water provides water and wastewater services to the Highlands Ranch community in exchange for a reserved capacity payment from the Metro District. These payments are structured to recover a portion of the initial capital costs associated with the construction of water and wastewater infrastructure and facilities.

The fee is calculated based upon land use and zoning within Highlands Ranch and is adjusted for re-zoning activity, plat and replat activity, and prior-year calculation adjustments. A detailed calculation of the 2027 reserved capacity payment due from the Metro District, as set forth in Exhibit B of the Water and Wastewater Service Agreement, can be found in Appendix 6.

Because this fee is recalculated annually based on development activity, revenues can vary significantly from year to year. The calculated 2027 fee of $360,656 is an $89,604 (-19.9%) decrease from the 2026 projected amount and a $26,370 (-6.8%) decrease from 2025 actual revenues.

Once Highlands Ranch is fully developed, Highlands Ranch Water will no longer receive reserved capacity payments from the Metro District. This revenue source is expected to continue declining and is currently projected to phase out by approximately 2030.

Mirabelle Metro District (MMD) Tap Fees and Options Payments

Highlands Ranch Water also collects two capital fees from the developer of the Solstice community, Mirabelle Metro District (Mirabelle), 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 2025, 376 taps remained 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 2027 budget anticipates collections of $1,276,000 in tap fees, consistent with the 2026 projected amount and an increase of $51,040 (4.2%) over 2025 actual collections.
- The second fee is a year-end options payment charge equal to $285 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 2027 budget anticipates collections of $30,780 in options payments, a decrease of $57,000 (-64.9%) from the 2026 projected amount and a decrease of $84,360 (-73.3%) from 2025 actual collections.

Once the Solstice community is fully developed, Highlands Ranch Water will no longer receive tap fee and options payment revenues from Mirabelle. These revenue sources are expected to continue declining as the remaining lots are developed and additional taps are placed into service.

Northern Douglas County (NDC) Options Payments

Highlands Ranch Water receives options payments from Northern Douglas County (NDC) related to reserved water and wastewater service capacity that has not yet been placed into service. The payment is intended to compensate Highlands Ranch Water for reserving system capacity for future development and is calculated in accordance with the applicable development agreement.

Because options payments are dependent on development activity and the amount of remaining reserved capacity, collections can vary significantly from year to year. The 2027 budget does not anticipate any NDC options payment revenue, compared to projected 2026 collections of $137,533. As development obligations associated with the agreement are fulfilled, this revenue source is expected to phase out.



Water Acquisition and Channel Stabilization Surcharges

Highlands Ranch Water charges a fee to the Metro District, Mirabelle, 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 2027 budget anticipates collections of $244,200, an increase of $13,320 (5.8%) over 2025 actual collections. No water acquisition surcharge revenue is projected in 2026, resulting in a comparison to 2025 actual rather than 2026 projected revenues.
- The Metro District 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 Highlands Ranch Water. As this fee is charged based on actual development, collections tend to be volatile year-over-year. The 2027 budget anticipates collections of $41,250, an increase of $26,250 (175.0%) over 2025 actual collections.

Roxborough Water Tap Fees

Highlands Ranch Water has an interconnection agreement with Roxborough Water and Sanitation District that allows water service to be provided on either a temporary (emergency) or permanent basis. When permanent water service is requested, Highlands Ranch Water charges a tap fee per ¾" equivalent. The fee charged is based on many factors including whether 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.

Because this fee is dependent on development activity, collections can vary significantly from year to year. No Roxborough water tap fee revenue is projected in the 2027 budget, compared to projected 2026 collections of $170,565 and 2025 actual collections of $157,390.

In-Tract Lines

Initially, developers installed and dedicated in-tract water and wastewater lines to the Metro District. In 2018, Highlands Ranch Water and the Metro District amended the Water and Wastewater Service Agreement to authorize Highlands Ranch Water to manage the replacement program for these assets. Each year, Highlands Ranch Water identifies infrastructure requiring replacement, develops project schedules and cost estimates, and manages project construction. The Metro District reimburses Highlands Ranch Water for eligible project costs associated with the program. The replacement of these lines is managed by Highlands Ranch Water, with actual project costs reimbursed by the Metro District.

The proposed 2027 budget includes $1,977,500 in anticipated reimbursement revenue from the Metro District for in-tract line replacement projects. This estimate is based on the Metro District's 2026 appropriation of $1,975,000 for projects identified under the replacement program. Because reimbursements are tied to specific projects and construction schedules, revenues can vary significantly from year to year.

Intergovernmental

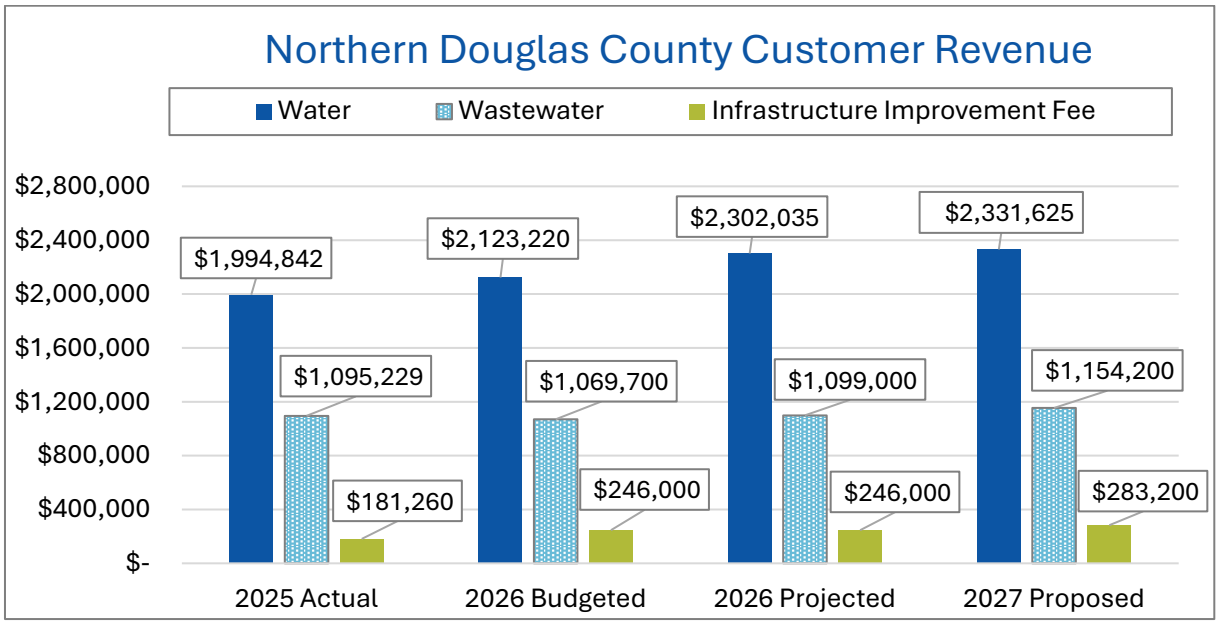
Northern Douglas County Water & Sanitation District

Northern Douglas County Water and Sanitation District (Northern Douglas) and Highlands Ranch Water entered into an Extended Service Area Water and Wastewater Agreement on August 1, 1994, under which Highlands Ranch Water provides water and wastewater services to properties in Northern Douglas County.

The service agreement allows for a rate of up to 200% of the base rates charged to customers within Highlands Ranch Water's service area. In addition to standard rates, Northern Douglas customers pay a surcharge that results in rates below the maximum amount permitted under the agreement. These surcharges are designed to partially offset the increased cost of acquiring and delivering additional water supplies, including water obtained through the WISE program. The following are rates charged to NDC:

Service Type	2025 Actual	2026 Actual	2027 Proposed	% Change from 2026
Water Service Availability Charge (bi-monthly)	$ 38.70	$ 42.98	$ 45.11	5%
Single Family Water Rate up to 100% of Budget per 1,000 Gallons	$ 6.32	$ 6.69	$ 6.98	4%
Indoor Commercial Water Rate up to 100% of Budget per 1,000 Gallons	$ 5.61	$ 5.93	$ 6.18	4%
Irrigation Water Rate up to 100% of Budget per 1,000 Gallons	$ 6.44	$ 7.04	$ 7.40	5%
Minimum Wastewater Charge (bi-monthly)	$ 44.17	$ 48.46	$ 50.90	5%
Wastewater per 1,000 Gallons over 3,000	$ 4.75	$ 5.08	$ 5.34	5%
Infrastructure Improvement Fee (bi-monthly)	$ 15.00	$ 19.50	$ 22.42	15%

The graph below shows revenues received under the Northern Douglas agreement for 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed.



The 2027 budget anticipates total revenue of $3.8 million, including water, wastewater, and Infrastructure Improvement Fee revenue. This represents an increase of approximately $498,000 (15.2%) over 2025 actual revenues and $122,000 (3.3%) over 2026 projected revenues. The increase is primarily attributable to proposed rate adjustments and growth in Infrastructure Improvement Fee revenues. Revenue received under the Northern Douglas agreement is included within Highlands Ranch Water's water, wastewater, and Infrastructure Improvement Fee revenue categories and is not presented separately in the financial statements.

Cost Sharing Agreement with the Highlands Ranch Metro District

In 1987, Highlands Ranch Water and Metro District entered into a cost sharing agreement under which each organization shares the cost of certain staffing positions, facilities, equipment, and operational support services. Highlands Ranch Water currently shares staffing and support services with the Metro District in the Engineering, Human Resources, Finance, and GIS departments. In addition, the two organizations allocate shared overhead costs, including information technology, office, facility, and administrative support services.

Total revenue received from the Metro District under these agreements is projected at $1,160,794 in 2027, an increase of $215,579 (22.8%) over the 2026 projected amount of $945,215 and $339,460 (41.3%) over 2025 actual revenue. The increase is primarily attributable to higher shared staffing costs, employee benefits, administrative support expenses, and facility cost allocations. Revenue received from the Metro District consists of three primary components: shared staffing reimbursements ($653,890), shared overhead reimbursements ($302,540), and administration building cost reimbursements ($204,364). Shared staffing and overhead reimbursements are reported as Intergovernmental Revenue, while administration building cost reimbursements are reported separately as Non-Operating Revenue.

Highlands Ranch Water is also projected to reimburse the Metro District $762,800 in 2027 for shared staffing, overhead, and facility costs incurred on its behalf, compared to $700,360 projected for 2026.

The table below summarizes the net financial impact of the cost sharing agreement with the Metro District for 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed.

	2025 Actual	2025 Budget	2026 Projected	2027 Proposed
Due to Highlands Ranch Water	764,097	1,068,525	945,215	1,160,794
Due from Highlands Ranch Water	$ 632,456	$ 799,285	$ 700,360	$ 762,800
Net Revenue/(Cost)	$ 131,641	$ 269,240	$ 244,855	$ 397,994

While Highlands Ranch Water receives revenue for shared staffing, overhead, facility, and administrative support costs, it also incurs costs on behalf of the Metro District and reimburses the Metro District for costs allocated under the agreement. Amounts due from Highlands Ranch Water are recorded as expenditures within various operating departments and functional categories throughout the budget. Overall, the net effect of the agreement is a financial benefit to Highlands Ranch Water.

All Other Sources

Other Operating Revenues

Other operating revenues include construction permit fees, hydrant fees, meter installation and sales, water and backflow inspection fees, final billing charges, utility service fees, and penalty income. These revenues are generally based on customer activity levels and can vary from year to year. Revenue estimates are developed using recent historical trends and actual activity.

The 2027 budget anticipates collections of $480,000, a decrease of $65,000 (-11.9%) from 2026 projected revenues and $25,983 (-5.4%) from 2025 actual revenues. The decrease is primarily attributable to lower anticipated penalty revenue compared to 2026 projected collections.

Net Investment Income

Investment income is earned on cash and investment balances until those funds are needed for operations, debt service, capital projects, or major repairs. Due to governmental accounting standards, Highlands Ranch Water records its investments at fair market value and recognizes unrealized gains and losses through periodic mark-to-market adjustments. As a result, investment income includes both realized earnings and unrealized gains or losses associated with market value adjustments.

Because investment balances and market conditions fluctuate from year to year, net investment income can vary significantly. For the 2027 budget, Highlands Ranch Water anticipates approximately $2.1 million in net investment income across all funds. This represents a decrease of $1.7 million (-45.9%) from the 2026 projected amount of $3.8 million, but remains approximately $1.0 million (100.8%) higher than the 2026 adopted budget of $1.0 million. The decrease from 2026 projected reflects lower forecasted fund balances available for investment and more conservative assumptions regarding future interest rates and market conditions.

Non-Operating Income

Non-operating revenue includes lease income, administration building cost reimbursements from the Highlands Ranch Metro District (DOB Rent), proceeds from the sale of surplus assets, and miscellaneous revenues. Lease revenue is budgeted based on existing agreements with cellular service providers and other tenants utilizing Highlands Ranch Water property, while DOB Rent represents the Metro District's share of administration building costs.

The 2027 budget anticipates non-operating revenue of $290,414, compared to $2.3 million projected in 2026. The decrease is primarily attributable to one-time PFAS-related settlement proceeds and related interest income recognized in 2026. Excluding these one-time revenues, non-operating revenue remains generally consistent with historical levels. Because many non-operating revenues are nonrecurring or project-specific in nature, collections can vary significantly from year to year.

Proposed Budget by Fund



Budgetary Fund Structure

Highlands Ranch Water budgets and accounts for financial activity through five separate funds. Each fund is established to support specific operational, capital, and financial objectives of the organization. Additional information regarding each fund is provided in the sections that follow.



Operating Fund

- Regularly occuring costs necessary to provide services



Capital and Major Repair Fund

- Projects and capital purchases identified in the Capital Improvement Plan



Water Acquisition Fund

- Operating and capital costs for the acquisition of water



Debt Service Fund

- Accounts for the annual payment of debt obligations

Financial Assurance Fund

- Reserve fund to support unanticipated costs

Basis of Budgeting

For financial reporting purposes, Highlands Ranch Water is considered an Enterprise Fund, which accounts for the acquisition and operations of government facilities and services that are primarily financed through user charges. Highlands Ranch Water reports revenues when they are earned and expenses when they are incurred.

For budgeting purposes, Highlands Ranch Water uses fund accounting. A fund is a self-balancing set of accounts established to track financial resources dedicated to a specific purpose or objective. Each fund is governed by specific operational, legal, and financial objectives and 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

  - Debt Service Fund

- Capital and major repair costs – actual and projected expenditures are presented on a cash basis, meaning expenditures are recognized when cash is disbursed. Capital projects may span multiple years and are appropriated based on anticipated project schedules and funding requirements. Projects are appropriated before construction or service contracts are executed to ensure funding is available, while expenditures are recognized as costs are incurred. As a result, appropriations do not necessarily equal annual expenditures, and unspent appropriations may be carried forward until project completion.
  - Capital and Major Repair Fund
  - Water Acquisition Fund's capital costs
- Financial Assurance Fund - budgeted on a cash basis, with transfers recognized when cash is received or disbursed. The fund is financed through transfers from the Operating Fund and provides a financial buffer for revenue volatility, unexpected expenditures, and future operating or capital needs. Fund balance may also be considered in evaluating compliance with debt service coverage and rate stabilization requirements.

Budgetary Control

Once the budget is approved by the Board, staff implement and manage operations in accordance with the approved spending plan. Each budget owner is responsible for managing expenditures within their approved budget, while finance staff monitor budget performance throughout the year. Finance staff provide periodic financial reports to the Board on Highlands Ranch Water's revenues, expenditures, and overall financial performance.

Budget owners are expected to operate within their approved budget authority. Specific line items can be modified during the revised budget process, however the total budget cannot be exceeded without Board approval. Transfers between departments require the approval of the General Manager and the Director of Finance and Administration, while transfers within a department require approval by the applicable department director. Unexpended budget authority for personnel and vehicle and equipment replacement expenditures cannot be transferred to other expenditure categories without Board approval.

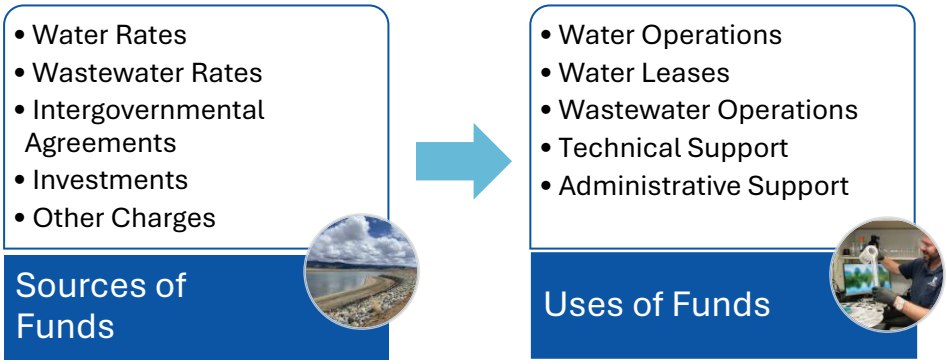
Highlands Ranch Water's Purchasing Policy establishes the policies and procedures for procuring the goods and services necessary to support operations. Additional information regarding these requirements can be found in the Purchasing Policy section of Appendix 2.

2027 Proposed Budget – All Funds

	2025 Actual	2026 Budget	2026 Projected	2027 Operating	2027 Water Acquisition	2027 Capital & Major Repair	2027 Debt Related	2027 Financial Assurance	2027 Total Proposed
Sources of Funds									
Water Utilization	$ 36,423,902	$ 38,268,720	$ 37,242,635	$ 35,447,625	$ 4,416,000	$ -	$ -	$ -	$ 39,863,625
Wastewater Treatment	17,029,919	18,685,400	18,579,100	19,610,200	-	-	-	-	19,610,200
Infrastructure Improvement Fee	4,166,626	5,544,000	5,509,200	6,373,200	-	-	-	-	6,373,200
Intergovernmental	660,259	958,595	801,690	956,430	-	-	-	-	956,430
Other Operating	454,018	486,850	545,000	480,000	-	-	-	-	480,000
Non-Operating	3,637,353	198,500	2,320,025	290,414	-	-	-	-	290,414
Net Investment Income	7,188,710	1,021,900	3,793,400	512,100	-	1,043,900	495,500	-	2,051,500
Contributed Capital	2,320,683	3,903,745	2,122,138	-	285,450	3,614,156	30,780	-	3,930,386
Bond Proceeds	-	-	-	-	-	95,573,661	-	-	95,573,661
Total Sources of Funds	71,881,470	69,067,710	70,913,188	63,669,969	4,701,450	100,231,717	526,280	-	169,129,416
Uses of Funds									
Water Operations	15,102,988	15,418,435	14,687,281	16,310,196	215,500	-	-	-	16,525,696
Water Leases	7,288,225	9,456,779	7,092,112	5,600,000	4,117,660	-	-	-	9,717,660
Wastewater Operations	8,044,632	7,886,610	7,984,825	8,326,781	-	-	-	-	8,326,781
Technical	7,187,589	7,620,665	7,966,657	8,201,542	-	-	-	-	8,201,542
Administrative	5,665,757	6,556,565	6,090,613	7,078,605	-	-	566,600	-	7,645,205
Capital/Major Repair	30,133,247	51,397,205	18,783,545	-	1,030,500	40,903,220	-	-	41,933,720
Debt Service	10,847,916	10,864,317	10,864,317	-	-	-	13,924,447	-	13,924,447
Total Uses of Funds	84,270,354	109,200,576	73,469,350	45,517,124	5,363,660	40,903,220	14,491,047	-	106,275,051
Other Sources/(Uses)									
Fund Transfers (See Detail)	-	-	-	(11,690,000)	-	16,380,000	5,310,000	(10,000,000)	-
Total Other Sources/(Uses)	-	-	-	(11,690,000)	-	16,380,000	5,310,000	(10,000,000)	-
Net Change in Fund Balance	(12,388,884)	(40,132,866)	(2,556,162)	6,462,845	(662,210)	75,708,497	(8,654,767)	(10,000,000)	62,854,365
Fund Balance - Beginning	152,514,198	132,792,212	140,125,314	25,605,244	14,286,595	52,194,197	24,775,149	20,707,967	137,569,152
Fund Balance - Ending	**$ 140,125,314**	**$ 92,659,346**	**$ 137,569,152**	**$ 32,068,089**	**$ 13,624,385**	**$ 127,902,694**	**$ 16,120,382**	**$ 10,707,967**	**$ 200,423,517**

Operating Fund

The Operating Fund accounts for the recurring costs necessary to provide water and wastewater services to Highlands Ranch Water customers.



The following table summarizes the sources and uses of funds for the Operating Fund for 2025 through 2027. Detailed discussions of the Fund's revenues, expenditures, capital projects, and fund balance activity are provided in the sections that follow.

	2025 Actual	2026 Budget	2026 Projected	2027 Proposed
Sources of Funds				
Water Utilization	$ 31,664,607	$ 33,792,320	$ 32,898,535	$ 35,447,625
Wastewater Treatment	17,029,919	18,685,400	18,579,100	19,610,200
Infrastructure Improvement Fee	4,166,626	5,544,000	5,509,200	6,373,200
Intergovernmental	660,259	958,595	801,690	956,430
Other Operating	454,018	486,850	545,000	480,000
Non-Operating	3,637,353	198,500	2,320,025	290,414
Net Investment Income	5,121,650	172,800	758,500	512,100
Total Sources of Funds	$ 62,734,432	$ 59,838,465	$ 61,412,050	$ 63,669,969
Uses of Funds				
Water Operations	14,832,048	15,232,935	14,501,781	16,310,196
Water Leases	5,158,724	5,351,065	4,420,259	5,600,000
Wastewater Operations	8,044,632	7,886,610	7,984,825	8,326,781
Technical	7,187,589	7,620,665	7,966,657	8,201,542
Administrative	5,665,757	6,556,565	6,090,613	7,078,605
Capital/Major Repair	-	-	239,000	-
Total Uses of Funds	$ 40,888,750	$ 42,647,840	$ 41,203,135	$ 45,517,124
Other Sources/(Uses)	$ (20,263,300)	$ (16,275,000)	$ (16,275,000)	$ (11,690,000)
Accumulation/(Use) of Fund Balance	1,582,382	915,625	3,933,915	6,462,845
Fund Balance - Beginning	20,088,947	17,283,984	21,671,329	25,605,244
Fund Balance - Ending	**$ 21,671,329**	**$ 18,199,609**	**$ 25,605,244**	**$ 32,068,089**

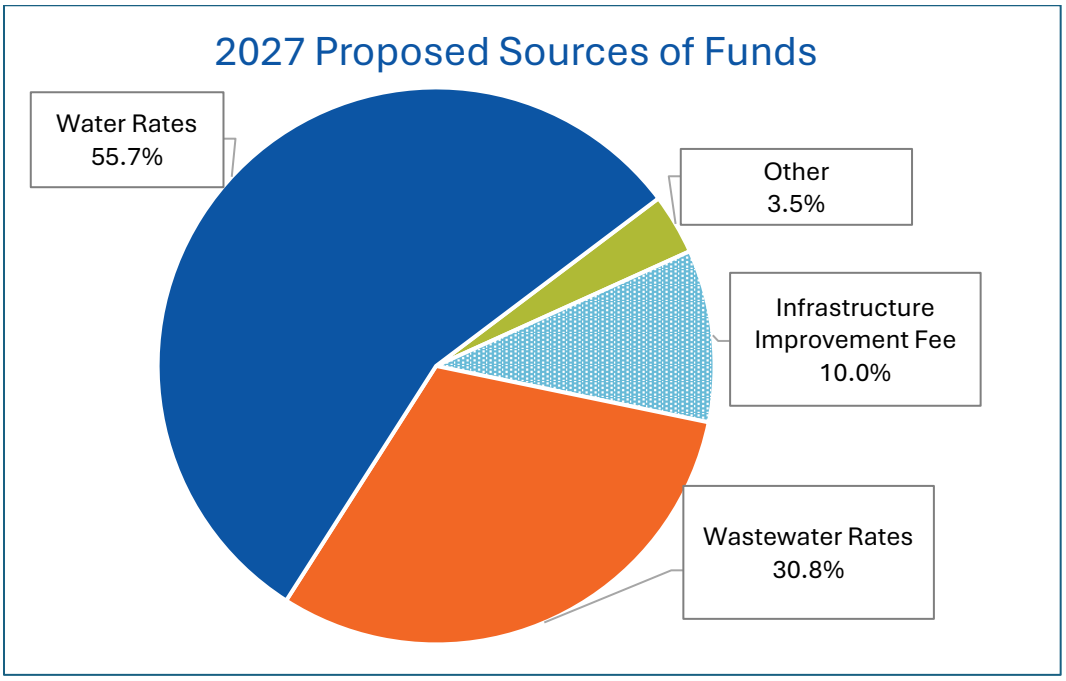
Sources of Funds

Highlands Ranch Water'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 table below shows the Operating Fund's sources of revenue for 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed:

Sources of Funds	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	% Change vs. 2025 Actual	% Change vs. 2026 Projected
Source of Funds from Rates						
Water Utilization	$ 31,664,607	$ 33,792,320	$ 32,898,535	$ 35,447,625	11.9%	7.7%
Wastewater Treatment	17,029,919	18,685,400	18,579,100	19,610,200	15.2%	5.5%
Infrastructure Improvement Fee	4,166,626	5,544,000	5,509,200	6,373,200	53.0%	15.7%
All Other Sources						
Intergovernmental	660,259	958,595	801,690	956,430	44.9%	19.3%
Other Operating	454,018	486,850	545,000	480,000	5.7%	-11.9%
Non-Operating	3,637,353	198,500	2,320,025	290,414	-92.0%	-87.5%
Net Investment Income	5,121,650	172,800	758,500	512,100	-90.0%	-32.5%
Total Sources of Funds	**$ 62,734,432**	**$ 59,838,465**	**$ 61,412,050**	**$ 63,669,969**	**1.5%**	**3.7%**
% From Rates	84%	97%	93%	96%		
% From All Other Sources	16%	3%	7%	4%		

The chart below shows the breakdown of proposed 2027 sources of funds in the Operating Fund.



Of the $35.4 million in Water Rate revenues, $11.9 million is expected from fixed Service Availability Fees and $23.5 million from Metered Water charges based on consumption. The increase in rate revenues and

projected water usage is discussed on pages 38-41. Compared to the 2026 projected budget, Water Utilization revenues are projected to increase by $2.6 million (7.0%), Wastewater Treatment revenues increase by $1.0 million (5.5%), and Infrastructure Improvement Fee revenues increase by $0.9 million (15.7%), reflecting proposed rate adjustments and projected customer demand and consumption levels. Revenue growth is primarily driven by the proposed 2027 rate adjustments, including increases of approximately 5% to 6% for metered water, water service availability, and wastewater rates, together with a 15% increase in Infrastructure Improvement Fees.

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

1. Ending fund balance must be at least 40% of the following year's estimated operating costs. This amount was reduced from 50% as of December 31, 2025. If requests exceed these limitations, the Finance Department will work with the individual departments and leadership to determine which expenditures can be scaled back or deferred to the next budget year.
2. Revenues must not only recover the total cost of operations; they must also satisfy the debt service coverage ratios as required by Highlands Ranch Water's debt covenants and support annual transfers to the Debt Service Fund.

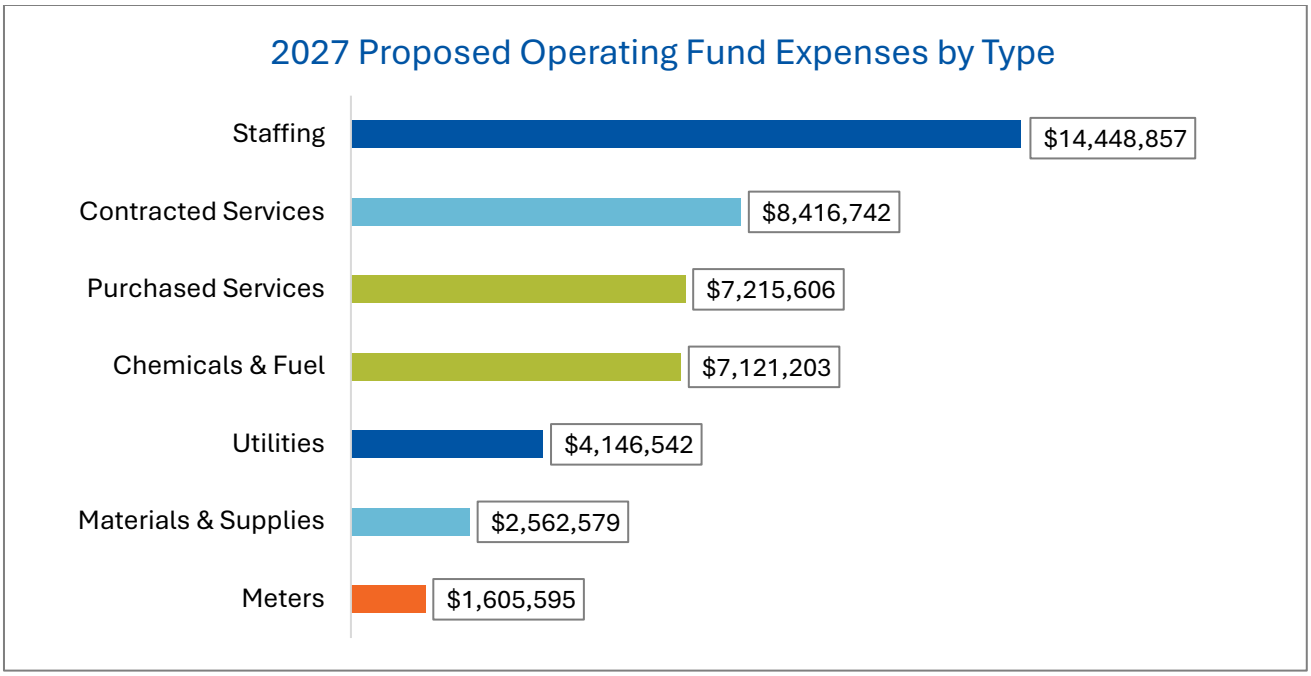
Funds available in excess of these requirements may be transferred to the Capital and Major Repair Fund, the Water Acquisition Fund, or the Financial Assurance Fund. These transfers are prioritized based on the funding and fund balance needs of each fund.

Uses of Funds

Total operating expenditures within the Operating Fund are proposed at approximately $45.5 million in 2027, an increase of $4.3 million (10.5%) compared to 2026 projected expenditures of $41.2 million. The increase is primarily attributable to higher staffing costs, water lease expenditures, treatment chemical costs, contracted services, and administrative costs necessary to support ongoing operations, regulatory compliance, and system reliability.

Uses of Funds by Expense Type

The graph below shows the Operating Fund's proposed uses of funds for 2027 by expense type:



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

Staffing

Staffing remains the largest operating expenditure category, representing approximately 31.7% of proposed 2027 operating expenditures. Staffing expenditures are proposed at $14.5 million in 2027, an increase of approximately $769,000 (5.6%) compared to 2026 projected expenditures. The increase is primarily attributable to annual wage adjustments, higher employee benefit costs, including health insurance and retirement contributions, payroll-related taxes, and ongoing investments in employee training and workforce development. The proposed budget also includes approximately $35,000 of staffing-related budget requests, including temporary staffing support for expanded water conservation activities and a seasonal business support intern. Maintaining a qualified and experienced workforce remains essential to providing reliable water and wastewater services and supporting increasingly complex operational and regulatory requirements.

Contracted Services

Contracted Services are proposed at approximately $8.4 million in 2027, an increase of approximately $2.1 million (33.9%) compared to 2026 projected expenditures and $1.4 million (20.6%) compared to 2025 actual expenditures. The increase is primarily attributable to water lease expenditures, which are proposed at $5.6 million in 2027, compared to $4.4 million projected in 2026 and $5.2 million in 2025. The lower 2026 projected expenditures were primarily the result of drought-related conditions and limited availability of leased water supplies. The proposed 2027 budget assumes a return to more typical water lease activity and incorporates contractual price escalations averaging approximately 3.5%. Additional increases include approximately $900,000 of legal costs, $80,000 of election-related expenditures, and $52,000 of additional liability insurance costs. Water leases remain a critical component of Highlands Ranch Water's water

supply portfolio, providing operational flexibility and helping supplement owned water resources to meet customer demand.

Purchased Services

Purchased Services support a broad range of operational needs, including infrastructure maintenance, laboratory testing and analysis, water resource management, conservation programs, information technology, regulatory compliance, communications, and other specialized services that cannot be performed internally.

Purchased Services are proposed at approximately $7.2 million in 2027, a decrease of approximately $621,000 (7.9%) compared to 2026 projected expenditures of $7.8 million. The decrease is primarily attributable to the completion of several one-time studies, miscellaneous service expenditures, customer service initiatives, and SCADA-related activities included in the 2026 projected budget.

Offsetting a portion of these reductions are approximately $476,936 of budget requests, including $167,000 of one-time expenditures and $309,936 of ongoing expenditures. Significant requests include expanded water conservation programs, laboratory professional services, water resource planning and membership costs, administrative facility improvements, and increased repair and maintenance services throughout the water and wastewater systems. Notable additions include $290,000 for expanded water conservation incentives, increasing total program funding to $400,000, $182,500 for administrative building improvements, $107,000 for water resource memberships, $78,000 for laboratory professional services, and $60,000 for additional water resource planning activities. Increased repair and maintenance funding is also proposed for the water distribution and wastewater collection systems to support ongoing asset preservation efforts.

Chemicals & Fuel

Chemicals and Fuel expenditures are proposed at approximately $7.1 million in 2027, an increase of approximately $722,000 (11.3%) compared to 2026 projected expenditures of $6.4 million. Treatment chemicals account for more than 98% of the category and remain essential to maintaining drinking water quality, wastewater treatment performance, regulatory compliance, and overall system reliability.

The increase is primarily attributable to higher projected chemical usage and costs at both treatment plants. Chemical expenditures at the Joseph B. Blake Water Treatment Plant are projected to increase by approximately $602,000, while chemical expenditures at the Marcy Gulch Wastewater Treatment Plant are projected to increase by approximately $337,000 compared to 2026 projected expenditures. These increases are partially offset by lower projected groundwater treatment chemical costs, reduced lift station chemical expenditures, and lower fleet fuel costs.

Utilities

Utilities are proposed at approximately $4.1 million in 2027, which is approximately $0.5 million higher than the $3.6 million incurred in 2025 and essentially unchanged from the $4.2 million projected for 2026. Electricity represents approximately 95% of total utility expenditures and remains the primary cost driver within the category.

Utility expenditures vary from year to year based on water demand, source water availability, pumping requirements, and energy prices. The higher 2026 projected costs are primarily attributable to increased groundwater pumping and associated well electricity costs. In 2027, well electricity costs are projected to decrease by approximately $530,000, while pump station electricity costs are projected to increase by approximately $471,000, resulting in relatively stable overall utility expenditures.

Because utility costs are heavily influenced by weather conditions, water supply operations, and energy market fluctuations, actual expenditures may vary from budgeted amounts.

Materials and Supplies

Materials and Supplies expenditures, excluding meter replacement costs, are proposed at approximately $2.6 million in 2027, an increase of approximately $315,000 (14.0%) compared to 2026 projected expenditures of $2.2 million. The increase is primarily attributable to approximately $431,000 of budget requests related to technology, conservation, facility operations, safety, and asset maintenance.

Significant requests include $125,000 for operations software including Cityworks, GIS licensing, DigSmart, and 811 processing software, $42,000 for finance software, $37,115 for administrative building operating supplies, $30,000 for safety supplies, $21,000 for administrative building repair supplies, and $15,335 for GIS software renewals and aerial imagery updates. Additional requests include customer service software, engineering software, communications materials, and information technology equipment.

Several budget revisions also reflect the reclassification of software, SCADA, conservation, and operational costs to more appropriate accounts, resulting in decreases in some existing operating supply accounts and corresponding increases in software, conservation, and technology-related accounts. In addition to these requests, the category includes repair parts, operating supplies, fleet maintenance items, and safety materials necessary to maintain existing assets and support reliable operations throughout Highlands Ranch Water's water and wastewater systems.

Meters

Meter-related expenditures are proposed at approximately $1.6 million in 2027, an increase of approximately $1.2 million (343.5%) compared to 2026 projected expenditures of $362,000. The increase is primarily attributable to a significant expansion of Highlands Ranch Water's meter replacement program and related AMI communication costs.

The proposed budget includes $1.24 million for meter replacements, $181,000 for AMI communication and data service costs, $150,000 for contracted backflow testing and repair services, and $36,000 for meter repair supplies. Included in the proposed budget is a $433,764 budget request to increase residential meter replacement frequency, increasing planned replacements to approximately 2,700 residential meters in 2027. An additional $9,936 budget request is included to support increased cellular data costs associated with the expanded AMI meter network.

These investments support improved meter accuracy, enhanced customer water use information, reduced manual meter reading requirements, and the continued expansion of Highlands Ranch Water's AMI metering infrastructure.

Year Over Year Changes

Below is a table summarizing the 2025 actual, 2026 budgeted, 2026 projected, and the 2027 proposed uses of funds by expense type:

Expense Type	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	% Change vs. 2025 Actual	% Change vs. 2026 Projected
Staffing	$ 12,877,831	$ 14,025,470	$ 13,680,348	$ 14,448,857	12.2%	5.6%
Purchased Services	7,538,755	6,871,250	7,836,370	7,215,606	-4.3%	-7.9%
Chemicals & Fuel	5,518,164	6,837,085	6,399,516	7,121,203	29.1%	11.3%
Utilities	3,651,825	3,857,105	4,151,801	4,146,542	13.5%	-0.1%
Contracted Services	6,976,811	7,826,065	6,286,663	8,416,742	20.6%	33.9%
Materials & Supplies	2,564,787	2,131,380	2,247,437	2,562,579	-0.1%	14.0%
Meters	1,760,577	1,099,485	362,000	1,605,595	-8.8%	343.5%
Total	**$ 40,888,750**	**$ 42,647,840**	**$ 40,964,135**	**$ 45,517,124**	**11.3%**	**11.1%**

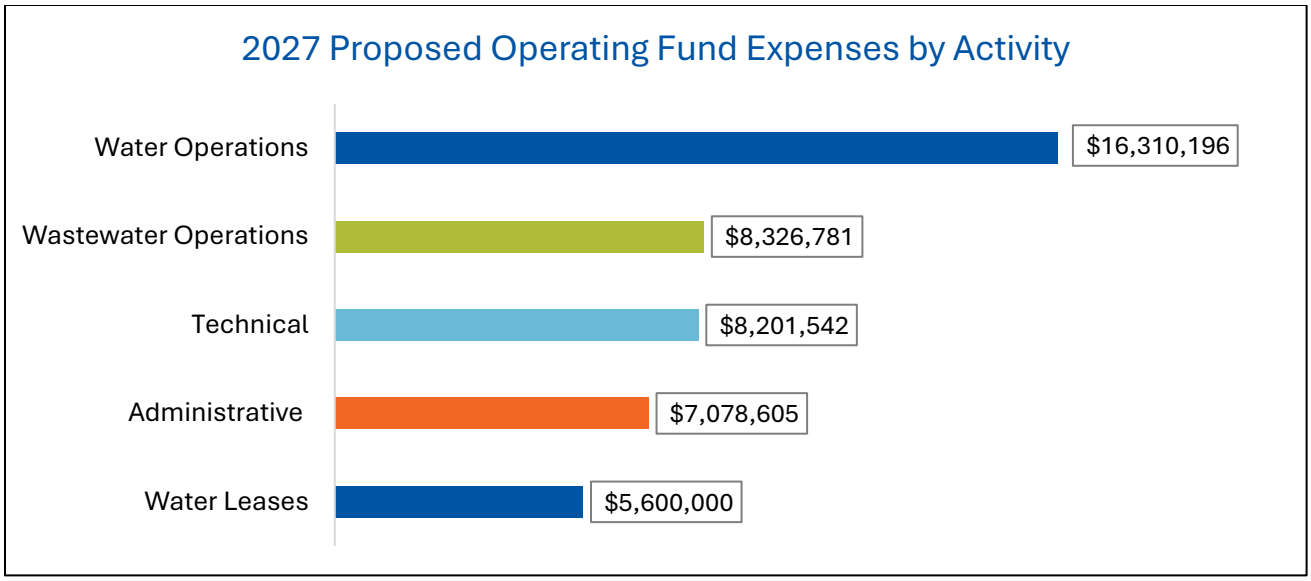
As shown in the table above, proposed 2027 operating expenditures increase by approximately $4.6 million (11.1%) compared to 2026 projected expenditures. The most significant changes include:

- Higher Contracted Services expenditures, primarily related to water leases, legal services, elections, and insurance.
- Expansion of the meter replacement program and associated AMI costs.
- Increased staffing expenditures resulting from wage and benefit adjustments.
- Higher treatment chemical costs.
- Lower Purchased Services expenditures due to the completion of several one-time initiatives included in the 2026 projection.

Additional detail regarding each expenditure category is provided in the preceding sections.

Uses of Funds by Activity

The graph below is a visualization of the Operating Fund’s budgeted costs for 2026 by activity:



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

Water Operations (35.8%)

Water Operations includes the operation and maintenance of the water treatment plant, groundwater facilities, pumping stations, transmission and distribution system, storage facilities, and customer metering infrastructure. Major expenditures include treatment chemicals, utilities, staffing, system maintenance, and meter replacement activities necessary to provide reliable drinking water service.

Wastewater Operations (18.3%)

Wastewater Operations includes the operation and maintenance of the wastewater treatment plant, lift stations, and collection system. Major expenditures include staffing, treatment chemicals, utilities, maintenance materials, laboratory services, and contracted services necessary to ensure regulatory compliance and reliable wastewater treatment.

Technical (18.0%)

Technical activities include water resource management, conservation programs, laboratory operations, SCADA, GIS, engineering, and fleet services. These functions support water supply planning, regulatory compliance, system monitoring, asset management, infrastructure planning, and customer conservation efforts. Significant 2027 investments include expanded conservation programming, laboratory services, and technology-related initiatives.

Administrative (15.6%)

Administrative activities include governance, human resources, finance, information technology, customer service, communications, and administrative building operations. These costs support organizational management, financial administration, customer support, regulatory compliance, and District-wide operational services.

Water Leases (12.3%)

Water Leases includes costs associated with water leases, water rights protection, legal services, professional consulting, and long-term water resource planning. Highlands Ranch Water utilizes multiple water lease agreements and water resource management programs to supplement owned supplies and maintain a reliable long-term water portfolio.

Year Over Year Changes

The table below shows 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed uses of funds by activity:

Activity	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	% Change vs. 2025 Actual	% Change vs. 2026 Projected
Water Operations	$ 14,832,048	$ 15,232,935	$ 14,501,781	$ 16,310,196	10.0%	12.5%
Water Leases	5,158,724	5,351,065	4,420,259	5,600,000	8.6%	26.7%
Wastewater Operations	8,044,632	7,886,610	7,984,825	8,326,781	3.5%	4.3%
Technical	7,187,589	7,620,665	7,966,657	8,201,542	14.1%	2.9%
Administrative	5,665,757	6,556,565	6,090,613	7,078,605	24.9%	16.2%
Total	**$ 40,888,750**	**$ 42,647,840**	**$ 40,964,135**	**$ 45,517,124**	**11.3%**	**11.1%**

The increase to Water Operations is primarily the result of the increased costs for treatment chemicals while the increase in administrative costs is primarily the result of increased legal and contract costs.

Net Change in Fund Balance

The net change in fund balance for the Operating Fund for 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed are as follows:

	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	% Change vs. 2025 Actual	% Change vs. 2026 Projected
Sources of Funding	$ 62,734,432	$ 59,838,465	$ 61,412,050	$ 63,669,969	1.5%	3.7%
Uses of Funding	(40,888,750)	(42,897,840)	(41,203,135)	(45,517,124)	11.3%	10.5%
Net	21,845,682	16,940,625	20,208,915	18,152,845	-16.9%	-10.2%
Net Fund Transfers	(20,263,300)	(16,275,000)	(16,275,000)	(11,690,000)	-42.3%	-28.2%
Accumulation (Use) of Fund Balance	1,582,382	665,625	3,933,915	6,462,845	308.4%	64.3%
Fund Balance - Beginning	20,088,947	17,283,984	21,671,329	25,605,244	27.5%	18.2%
Fund Balance - Ending	**$ 21,671,329**	**$ 17,949,609**	**$ 25,605,244**	**$ 32,068,089**	**48.0%**	**25.2%**

The proposed 2027 budget projects an Operating Fund ending fund balance of approximately $32.1 million, an increase of $6.5 million (25.4%) compared to the projected 2026 ending fund balance of $25.6 million.

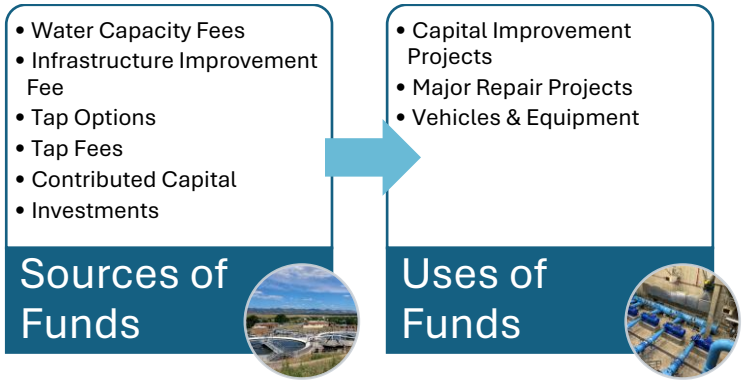
Sources of funding are proposed at approximately $63.7 million, while uses of funding total approximately $45.5 million, resulting in net operating activity of $18.2 million. Proposed net transfers total $11.7 million, a decrease of approximately $4.6 million compared to 2026 projected transfers. Transfers continue to

support capital improvements, debt service requirements, financial assurance reserves, water acquisition activities, and other long-term infrastructure and resource needs.

The Board has established a target minimum available Operating Fund balance equal to 40% of the subsequent year's projected operating expenditures. The proposed 2027 budget projects an available ending fund balance equal to approximately 70.6% of projected 2028 operating expenditures, exceeding the Board's minimum policy requirement. While the Operating Fund is expected to remain well above the target level, future capital investments, water resource acquisitions, and planned transfers are expected to reduce fund balance levels over time.

Capital and Major Repair Fund

The Capital and Major Repair Fund accounts for the financial resources needed to construct, improve, rehabilitate, and replace water and wastewater infrastructure identified in Highlands Ranch Water's Capital Improvement Plan (CIP). Capital and major repair projects generally involve the acquisition, construction, replacement, or significant improvement of assets with an estimated cost exceeding $45,000 and an expected useful life of ten years or more. The fund supports a wide range of projects, including treatment plant improvements, water supply infrastructure, pump stations, pipelines, valves, groundwater facilities, vehicles, equipment, and major facility renovations. Because many projects span multiple years, appropriations remain in effect for the duration of the project. Capital projects are appropriated prior to entering into construction or service contracts to ensure funding is available for the full project scope. As a result, annual appropriations may exceed current-year expenditures, with actual cash outflows occurring over several years as projects progress through design, construction, and commissioning.



The following table summarizes the sources and uses of funds for the Capital and Major Repair Funds for 2025 through 2027. Detailed discussions of the Fund's revenues, expenditures, capital projects, and fund balance activity are provided in the sections that follow.

	2025 Actual	2026 Budget	2026 Projected	2027 Proposed
Sources of Funds				
Contributed Capital	$ 1,905,678	$ 3,431,260	$ 1,896,825	$ 3,614,156
Bond Proceeds	-	-	-	95,573,661
Net Investment Income	1,948,353	634,700	2,286,200	1,043,900
Total Sources of Funds	$ 3,854,031	$ 4,065,960	$ 4,183,025	$ 100,231,717
Uses of Funds				
Projects	29,655,447	34,945,000	17,808,445	40,903,220
Carryover Projects from PY	-	14,012,205	-	-
Total Uses of Funds	$ 29,655,447	$ 48,957,205	$ 17,808,445	$ 40,903,220
Other Sources/(Uses)	-	500,000	500,000	16,380,000
Accumulation/ (Use) of Fund Balance	(25,801,416)	(44,391,245)	(13,125,420)	75,708,497
Fund Balance - Beginning	91,121,033	63,476,302	65,319,617	52,194,197
Fund Balance - Ending	**$ 65,319,617**	**$ 19,085,057**	**$ 52,194,197**	**$ 127,902,694**

Sources of Funds

The table below presents revenues for capital and major repair for 2025 actual, 2026 budgeted, 2026 projected, and 2027 adopted:

Sources of Funds	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	% Change vs. 2025 Actual	% Change vs. 2026 Projected
Contributed Capital	$ 1,905,678	$ 3,431,260	$ 1,896,825	$ 3,614,156	89.7%	90.5%
Bond Proceeds	-	-	-	95,573,661	100.0%	100.0%
Net Investment Income	1,948,353	634,700	2,286,200	1,043,900	-46.4%	-54.3%
Total Sources of Funds	**$ 3,854,031**	**$ 4,065,960**	**$ 4,183,025**	**$ 100,231,717**	**2500.7%**	**2296%**

Funding for capital and major repair projects is provided through a combination of contributed capital, debt proceeds, investment earnings, and available fund balance. Contributed capital revenues are projected to increase from approximately $1.9 million in 2026 to $3.6 million in 2027. The increase is primarily attributable to approximately $2.0 million of anticipated reimbursement revenue from the Highlands Ranch Metro District for in-tract water line replacement projects, partially offset by the absence of Roxborough Water tap fee revenue and declining reserve capacity and options payment revenues as development activity within Highlands Ranch and Solstice continues to slow. A more detailed discussion of contributed capital revenues is provided in the Contributed Capital section on pages 44-47.

The 2027 proposed budget also includes approximately $95.6 million of bond proceeds, which are expected to provide funding for the Water Treatment Plant Phase 2 Improvements Project and other related capital expenditures. The use of long-term debt allows the cost of these major infrastructure investments to be distributed over the useful life of the assets and shared among current and future customers who benefit from the improvements.Investment earnings are projected to decrease from approximately $2.3

million in 2026 to $1.0 million in 2027, primarily due to the planned use of accumulated reserves and investment balances to support the capital improvement program.

Uses of Funds

Capital and major repair expenditures have a significant impact on both the quality and reliability of Highlands Ranch Water's water and wastewater systems and the organization's long-term financial resources. Accordingly, the use of these funds is guided by Highlands Ranch Water's 10-Year Capital Improvement Plan, which prioritizes projects based on regulatory requirements, system reliability, asset condition, operational needs, and future service demands.

The table below presents 2025 actual expenditures, 2026 budgeted and projected expenditures, and 2027 proposed expenditures for capital and major repair projects.

Project Category	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	% Change vs. 2025 Actual	% Change vs. 2026 Projected
Vehicles and Equipment	$ 25,760	$ 1,149,000	$ 1,166,343	$ 1,345,520	5123.3%	15.4%
Water Treatment Plant	27,012,701	28,705,215	7,647,200	23,728,000	-12.2%	210.3%
Wastewater Treatment Plant	1,080,667	6,000,000	3,775,000	2,937,700	171.8%	-22.2%
Ground Water Treatment Plant/Wells	155,430	687,065	279,241	2,600,000	1572.8%	831.1%
Collection System	76,594	600,000	12,600	600,000	683.4%	4661.9%
Distribution System	953,591	9,475,115	2,875,655	8,392,000	780.0%	191.8%
In-Tract Lines	45,087	1,790,810	1,977,500	900,000	1896.2%	-54.5%
SCADA	-	400,000	-	400,000	100.0%	100.0%
Building Improvements	150,187	150,000	74,906	-	-100.0%	-100.0%
Water Acquisition	633,230	2,440,000	736,100	1,030,500	62.7%	40.0%
Total	$ 30,133,247	$ 51,397,205	$ 18,544,545	$ 41,933,720	39.2%	126.1%

Capital and major repair expenditures are projected to increase to approximately $41.9 million in 2027. The 2027 capital program is heavily focused on water treatment infrastructure, with the Water Treatment Plant Phase 2 Improvements Project representing the largest planned expenditure. Additional investments include ongoing treatment plant rehabilitation, groundwater system improvements, pump station upgrades, distribution and collection system infrastructure, in-tract water line replacement projects, equipment replacement, and other asset renewal initiatives. Together, these projects support system reliability, regulatory compliance, operational efficiency, and Highlands Ranch Water's long-term asset management objectives. Additional information regarding individual projects included in the 2027 capital program can be found in the Capital Improvement Plan section beginning on page 92.

Budgeting For Uses of Funds

Capital projects are appropriated prior to entering into construction or service contracts to ensure funding is available for the full project scope. Because many capital and major repair projects span multiple years, appropriations often remain in place beyond the year in which they were originally authorized and may be used to fund expenditures over several budget cycles.

To better align the budget with anticipated project activity and cash requirements, Highlands Ranch Water continues to place greater emphasis on expected annual expenditures when developing the Capital

Improvement Plan and annual budget. However, appropriations remain an important tool for managing multi-year projects and contractual commitments.

At the end of each year, Finance and project managers review all active projects to determine whether appropriations remain necessary. Remaining appropriations associated with completed projects are rescinded and returned to available fund balance, while appropriations for ongoing projects are carried forward to support future project activity.

For the 2027 budget, approximately $20.1 million of previously approved appropriations are expected to be carried forward from 2026. These carryforward appropriations represent funding already authorized for ongoing projects and are expected to finance a significant portion of planned 2027 capital expenditures.

Net Change in Fund Balance

The Capital and Major Repair Fund is used to finance large, multi-year infrastructure projects, and annual changes in fund balance are heavily influenced by the timing of capital expenditures, debt issuances, contributed capital revenues, investment earnings, and operating transfers.

The net change in fund balance for the Capital and Major Repair Fund for 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed are as follows:

	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	% Change vs. 2025 Actual	% Change vs. 2026 Projected
Sources of Funding	$ 3,854,031	$ 4,065,960	$ 4,183,025	$ 100,231,717	2500.7%	2296.2%
Uses of Funding	(29,655,447)	(48,957,205)	(17,808,445)	(40,903,220)	37.9%	129.7%
Net	(25,801,416)	(44,891,245)	(13,625,420)	59,328,497	-329.9%	-535.4%
Net Fund Transfers	-	500,000	500,000	16,380,000	100.0%	100.0%
Accumulation (Use) of Fund Balance	(25,801,416)	(44,391,245)	(13,125,420)	75,708,497	-393.4%	-676.8%
Fund Balance - Beginning	91,121,033	63,476,302	65,319,617	52,194,197	-42.7%	-20.1%
Fund Balance - Ending	**$ 65,319,617**	**$ 19,085,057**	**$ 52,194,197**	**$ 127,902,694**	**95.8%**	**145.1%**

The proposed 2027 budget projects an ending fund balance of $127.9 million, an increase of approximately $75.7 million (145.0%) over the projected 2026 ending fund balance of $52.2 million. The increase is primarily attributable to the planned issuance of approximately $95.6 million in bond proceeds to fund the Water Treatment Plant Phase 2 Improvements Project and other related capital expenditures.

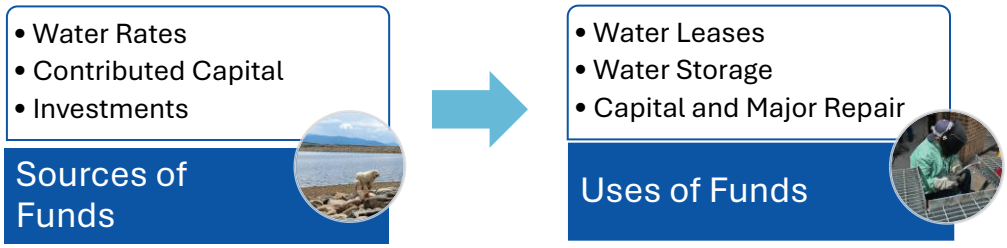
While 2027 capital and major repair expenditures are projected to total approximately $40.9 million, total sources of funds are projected at approximately $100.2 million, resulting in a significant increase in ending fund balance. A substantial portion of these resources is expected to be used for future expenditures associated with the Water Treatment Plant Improvement Program and other projects included in Highlands Ranch Water's Capital Improvement Plan.

Operating transfers funded by Infrastructure Improvement Fee revenues also serve as an important source of capital funding. When Operating Fund balances exceed established financial policy targets, these

revenues may be transferred to the Capital and Major Repair Funds to help accumulate resources for future infrastructure investments and reduce reliance on debt financing.

Water Acquisition Fund

The Water Acquisition Fund accounts for the costs associated with securing, developing, storing, and delivering Highlands Ranch Water's long-term water supply portfolio. The fund finances Highlands Ranch Water's participation in regional water supply projects, including the South Metro WISE Authority and the Chatfield Reallocation Project, as well as investments in water rights, water acquisition, and related water supply infrastructure. These investments help ensure a reliable and sustainable water supply to meet current and future customer demands.



The following table summarizes the sources and uses of funds for the Water Acquisition Fund for 2025 through 2027. Detailed discussions of the Fund's revenues, expenditures, capital projects, and fund balance activity are provided in the sections that follow.

	2025 Actual	2026 Budget	2026 Projected	2027 Proposed
Sources of Funds				
Water Utilization	$ 4,759,295	$ 4,476,400	$ 4,344,100	$ 4,416,000
Contributed Capital	245,880	415,200	-	285,450
Total Sources of Funds	$ 5,005,175	$ 4,891,600	$ 4,344,100	$ 4,701,450
Uses of Funds				
WISE	1,130,569	3,235,859	1,805,209	3,428,500
Chatfield	1,114,442	1,055,355	1,052,144	904,660
Capital	633,230	1,174,510	736,100	1,030,500
Rollforward	-	1,265,490	-	-
Total Uses of Funds	$ 2,878,241	$ 6,731,214	$ 3,593,453	$ 5,363,660
Other Sources/(Uses)	$ -	$ 2,500,000	$ 2,500,000	$ -
Accumulation/(Use) of Fund Balance	2,126,934	660,386	3,250,647	(662,210)
Fund Balance - Beginning	8,909,014	9,879,454	11,035,948	14,286,595
Fund Balance - Ending	**$ 11,035,948**	**$ 10,539,840**	**$ 14,286,595**	**$ 13,624,385**

Sources of Funds

The primary funding source for the Water Acquisition Fund is the Water Utilization Fee, which is charged through water rates and transferred from the Operating Fund. The fee is intended to recover costs associated with water acquisition, renewable water supply projects, water storage, and related infrastructure.

The table below presents sources of funds for the Water Acquisition Fund for 2025 actual, 2026 projected, and 2027 proposed.

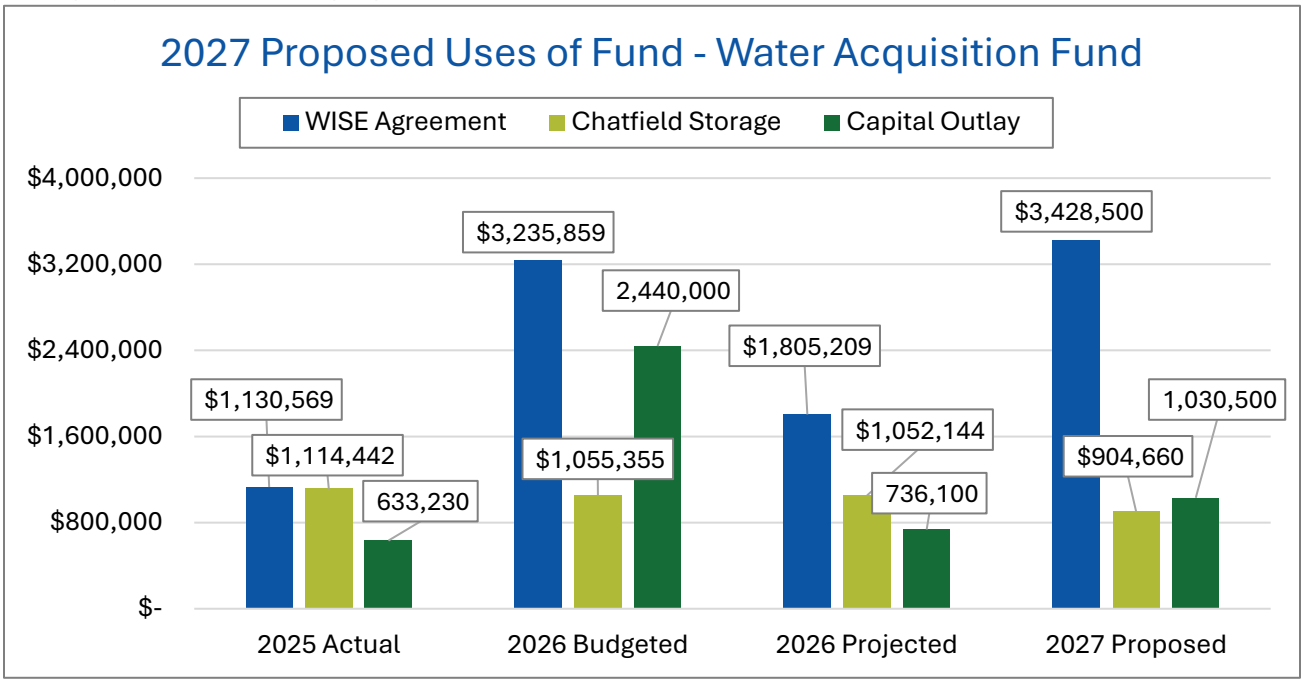
Sources of Funds	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	% Change vs. 2025 Actual	% Change vs. 2026 Projected
Water Utilization	$ 4,759,295	$ 4,476,400	$ 4,344,100	$ 4,416,000	-1.6%	1.7%
Contributed Capital	245,880	415,200	-	285,450	-65.2%	100.0%
Total Sources of Funds	**$ 5,005,175**	**$ 4,891,600**	**$ 4,344,100**	**$ 4,701,450**	**-11.4%**	**8.2%**

Water Utilization Fee revenues are projected to remain relatively stable, increasing from approximately $4.34 million in 2026 to $4.42 million in 2027, and continue to provide the majority of the Fund's annual revenues.

The Fund also receives development-related contributed capital revenues from water acquisition fees and channel stabilization surcharges. Because these revenues are dependent upon development activity, they can vary significantly from year to year. Contributed capital revenues are projected to increase from $0 in 2026 to approximately $285,000 in 2027. Additional information regarding contributed capital revenues can be found in the Contributed Capital section on pages 44-47.

Uses of Funds

The table below presents expenditures for the Water Acquisition Fund for 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed.



Water acquisition expenditures are projected to increase from approximately $3.6 million in 2026 to $5.4 million in 2027. The largest expenditure category continues to be Highlands Ranch Water's participation in the WISE (Water Infrastructure and Supply Efficiency) Partnership, with expenditures increasing from approximately $1.8 million in 2026 to $3.4 million in 2027. The increase is primarily attributable to planned WISE infrastructure investments, including the WISE Salinity Management Project.

Expenditures related to the Chatfield Reallocation Project are projected at approximately $905,000 in 2027 and continue to support Highlands Ranch Water's long-term renewable water supply strategy. The 2027 budget also includes approximately $1.0 million for water acquisition and water rights projects, including the acquisition of surface water or groundwater resources and other initiatives identified in Highlands Ranch Water's long-term water supply planning efforts.

	2025 Actual	2026 Budgeted	2026 Projected	2027 Proposed
WISE Agreement	$ 1,130,569	$ 3,235,859	$ 1,805,209	$ 3,428,500
Chatfield Storage	1,114,442	1,055,355	1,052,144	904,660
Capital Outlay	633,230	2,440,000	736,100	1,030,500
	$ 2,878,241	$ 6,731,214	$ 3,593,453	$ 5,363,660

The 2027 budget also includes approximately $1.0 million of capital outlay for water acquisition and water rights projects identified through Highlands Ranch Water's long-term water supply planning effort

Additional information regarding individual projects can be found in the Capital Improvement Plan section beginning on page 92.

Water Infrastructure Supply Efficiency (WISE) Water

The WISE partnership is a regional collaboration between Denver Water, Aurora Water and ten members of the South Metro Water Supply Authority that provides participating utilities with access to renewable water supplies and helps reduce long-term reliance on non-renewable groundwater resources. Highlands Ranch Water joined the group in 2013 and began receiving WISE deliveries in 2018. The WISE partnership works by recapturing water used by Denver Water and Aurora Water customers which is re-treated and shared, when available, with members. WISE is designed to provide South Metro participants with a minimum of 100,000 acre-feet of water each decade, with Highlands Ranch Water receiving a 10% share of that supply. WISE expenditures are projected to increase from approximately $1.8 million in 2026 to $3.4 million in 2027, primarily due to ongoing infrastructure investments, water delivery costs, and participation in regional projects that support future WISE deliveries. Highlands Ranch Water and other WISE participants continue to evaluate long-term system improvements needed to maintain the reliability and sustainability of the regional water supply.

Chatfield Water Storage

The Chatfield Reallocation Project provides Highlands Ranch Water with renewable water storage capacity in Chatfield Reservoir and is an important component of the utility's long-term water supply portfolio. Highlands Ranch Water currently holds approximately 7,922 acre-feet of storage capacity, providing flexibility to capture, store, and manage renewable water supplies while improving overall water supply reliability.

Expenditures related to the Chatfield Reallocation Project are projected at approximately $905,000 in 2027 and primarily consist of storage charges, operations, maintenance, and administrative costs associated with project participation. These expenditures support Highlands Ranch Water's long-term strategy of increasing renewable water supplies and reducing reliance on non-renewable groundwater resources.

Net Change in Fund Balance

Because water acquisition projects often span multiple years, annual changes in fund balance are influenced by the timing of project expenditures, Water Utilization Fee revenues, contributed capital revenues, and other financing activities.

The net change in fund balance in the Water Acquisition Fund for 2025 actual, 2026 budgeted, 2026 projected, and 2027 adopted are as follows:

	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	% Change vs. 2025 Actual	% Change vs. 2026 Projected
Sources of Funding	$ 5,005,175	$ 4,891,600	$ 4,344,100	$ 4,701,450	-6.1%	8.2%
Uses of Funding	(2,878,241)	(6,731,214)	(3,593,453)	(5,363,660)	86.4%	49.3%
Net	2,126,934	(1,839,614)	750,647	(662,210)	-131.1%	-188.2%
Net Fund Transfers	-	2,500,000	2,500,000	-		0.0%
Accumulation (Use) of Fund Balance	2,126,934	660,386	3,250,647	(662,210)	131.1%	120.4%
Fund Balance - Beginning	8,909,014	9,879,454	11,035,948	14,286,595	60.4%	29.5%
Fund Balance - Ending	**$ 11,035,948**	**$ 10,539,840**	**$ 14,286,595**	**$ 13,624,385**	**23.5%**	**-4.6%**

The proposed 2027 budget projects an ending fund balance of approximately $13.6 million, a decrease of approximately $662,000 (4.6%) from the projected 2026 ending fund balance of $14.3 million. The decrease is primarily attributable to projected expenditures of $5.4 million exceeding projected revenues of $4.7 million, driven largely by increased investment in WISE-related infrastructure and other water acquisition projects.

Highlands Ranch Water seeks to maintain a minimum fund balance of approximately $5.0 million within the Water Acquisition Fund to preserve flexibility for future water supply opportunities and project needs. Larger water acquisition projects may require additional funding from other sources when annual Water Utilization Fee revenues are insufficient to support planned expenditures.

Debt Service Fund

The Debt Service Fund is used to account for resources accumulated for the payment of principal and interest on Highlands Ranch Water's outstanding debt obligations. Under the bond resolutions, Net Revenues are pledged to debt repayment and are deposited into the Debt Service Fund to provide for scheduled debt service payments on the Bonds and other Parity Lien Bonds.

- Fund Transfers
- Contributed Capital
- Investments

Sources of Funds



- Capital Improvement Revenue Bonds
- Water Storage Loans

Uses of Funds



The following table summarizes the sources and uses of funds for the Debt Service Fund for 2025 through 2027. Detailed discussions of the Fund's revenues, expenditures, capital projects, and fund balance activity are provided in the sections that follow.

	2025 Actual	2026 Budget	2026 Projected	2027 Proposed
Sources of Funds				
Contributed Capital	$ 169,125	$ 57,285	$ 225,313	$ 30,780
Net Investment Income	118,707	214,400	748,700	495,500
Total Sources of Funds	$ 287,832	$ 271,685	$ 974,013	$ 526,280
Uses of Funds				
Cost of Issuance	-	-	-	566,600
Bond Payments	10,847,916	10,864,317	10,864,317	13,924,447
Total	$ 10,847,916	$ 10,864,317	$ 10,864,317	$ 14,491,047
Other Sources/(Uses)	$ 18,250,000	$ 13,275,000	$ 13,275,000	$ 5,310,000
Accumulation/ (Use) of Fund Balance	7,689,916	2,682,368	3,384,696	(8,654,767)
Fund Balance - Beginning	13,700,537	21,444,505	21,390,453	24,775,149
Fund Balance - Ending	**$ 21,390,453**	**$ 24,126,873**	**$ 24,775,149**	**$ 16,120,382**

Sources of Funds

The table below presents sources of funds for Debt Service Fund for 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed.

Sources of Funds	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	% Change vs. 2025 Actual	% Change vs. 2026 Projected
Contributed Capital	169,125	57,285	225,313	30,780	-80.8%	-86.3%
Net Investment Income	118,707	214,400	748,700	495,500	57.7%	-33.8%
Total Sources of Funds	**$ 287,832**	**$ 271,685**	**$ 974,013**	**$ 526,280**	**11.0%**	**-46.0%**

The Debt Service Fund receives revenue from contributed capital, investment earnings, and transfers from other funds. Transfers represent the primary source of funding and are budgeted at levels sufficient to support annual debt service requirements and maintain a fund balance equal to at least the following year's scheduled debt service payments. Additional revenue sources include annual capacity reservation payments and investment earnings on accumulated fund balances.

Contributed capital revenue consists primarily of capacity reservation payments associated with reserved water service capacity that has not yet been placed into service. These revenues currently include annual option payments from Mirabelle Metro District and capacity reservation payments from Northern Douglas County Water and Sanitation District. Highlands Ranch Water collects these fees to preserve system capacity for future development and to recover a portion of the infrastructure costs associated with

providing service to those developments. Additional information regarding contributed capital revenues is provided in the Sources of Funds section of this budget document.

Investment earnings fluctuate based on prevailing interest rates and available fund balances.

Total fund revenues are projected to decrease from approximately $974,000 in 2026 projected to $526,000 in 2027 proposed, primarily due to lower investment earnings and contributed capital revenues. Investment earnings are projected to decrease from $748,700 to $495,500 as fund balances decline, while contributed capital revenues are projected to decrease from $225,313 to $30,780 due primarily to lower anticipated capacity reservation payments.

Outstanding Debt

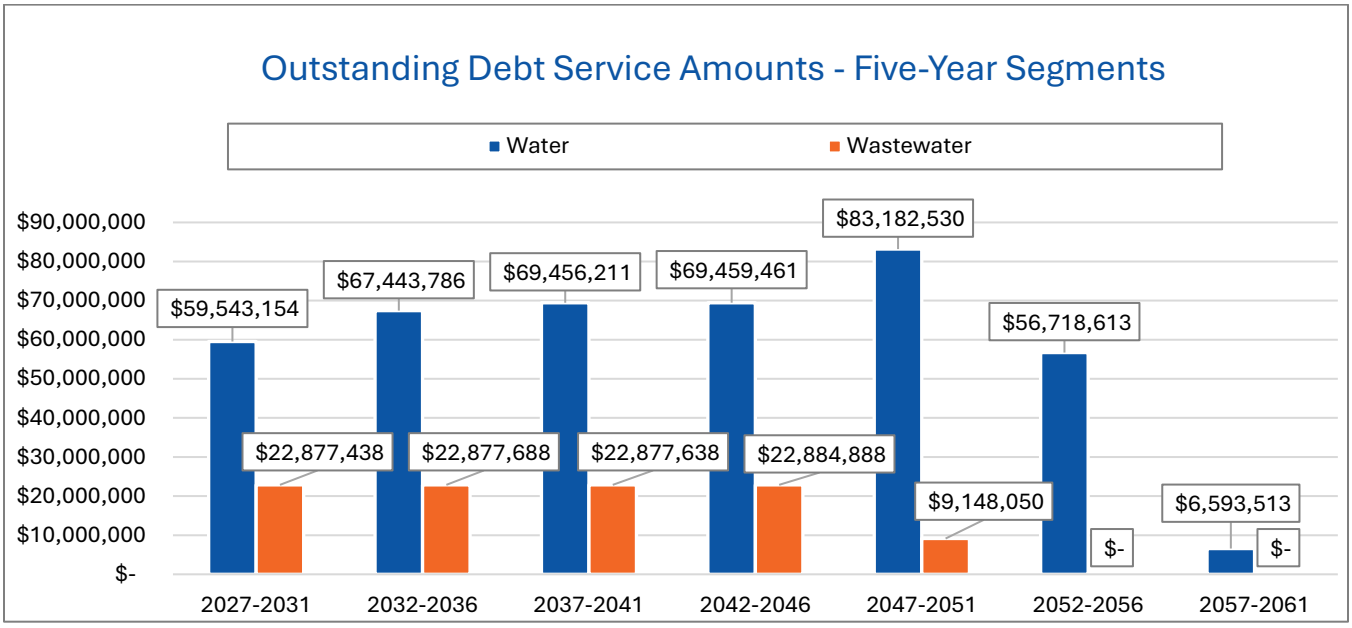
As of December 31, 2026, Highlands Ranch Water is projected to have approximately $175.1 million of outstanding debt, consisting of Colorado Water Conservation Board loans and Water and Wastewater Revenue Bonds issued to finance major water supply, water treatment, and wastewater infrastructure improvements.

Series	**Lien Priority**	**Principal Amount Outstanding[1]**
CWCB Loan[2]	Parity Lien Bond	$45,070,655
2019 Bond	Parity Lien Bond	60,065,000
2024 Bond	Parity Lien Bond	70,000,000
Total		**$ 175,135,655**

[1] As of December 31, 2026.
[2] Consists of three promissory notes and security agreements evidencing an obligation to repay three loans made to the District by the Colorado Department of Natural Resources, Colorado Water Conservation Board associated with the Chatfield Reservoir Reallocation Project.

The debt schedules, debt service projections, and coverage calculations presented in this section also incorporate a contemplated 2027 revenue bond issuance, assumed to occur in May 2027, to support major capital projects included in the Capital Improvement Plan. Although the proposed financing has not yet been approved by the Board and final financing terms have not been established, estimated issuance costs and debt service payments have been included for budgeting and long-term financial planning purposes.

The table below summarizes Highlands Ranch Water's outstanding debt service amounts together with the contemplated 2027 financing.



Water Related Debt

On October 15, 2015, Highlands Ranch Water 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 Highlands Ranch Water 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. As of December 31, 2026, approximately $45.1 million of principal remains outstanding on the CWCB loans. The final loan maturity is on November 1, 2051.

Highlands Ranch Water 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. As of December 31, 2026, $70.0 million of principal remains outstanding on the Series 2024A Water and Wastewater Revenue Bonds. The bonds have a final maturity of December 1, 2053.

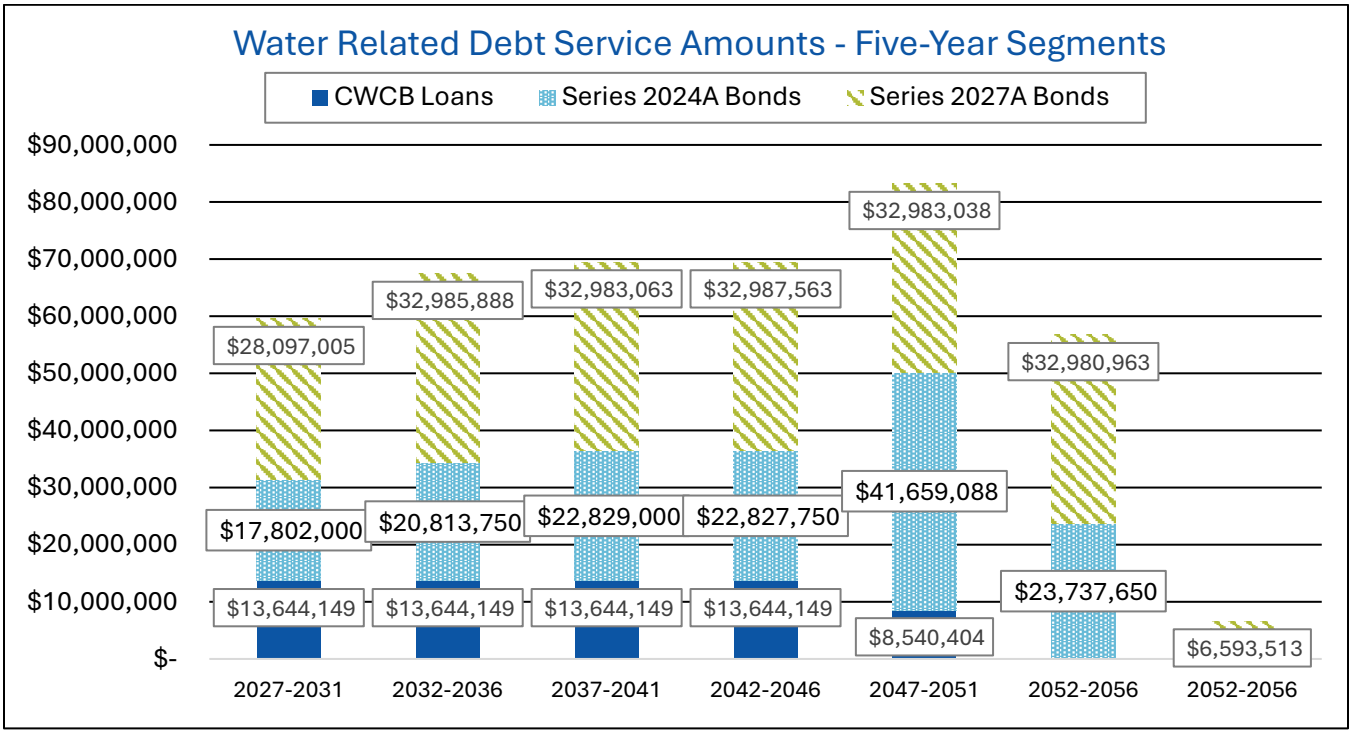
The proposed 2027 budget also includes a contemplated revenue bond issuance assumed to occur in May 2027 to support major capital projects included in the Capital Improvement Plan, including continued improvements to the Joseph B. Blake Water Treatment Plant. Although the proposed financing has not yet been approved by the Board and final financing terms have not been established, estimated debt service payments and issuance costs associated with the contemplated financing have been incorporated into the 2027 budget and long-term financial forecasts for planning purposes.

The table below shows the total outstanding debt service for the CWCB Loans, the Series 2024A Water and Wastewater Revenue Bonds and the proposed 2027 series.

Water Related Annual Debt Service
2027-2057

Year	Principal	Interest	Total Debt Service
2027	$ 1,377,630	$ 7,971,730	$ 9,349,360
2028	1,418,959	10,116,209	11,535,167
2029	2,811,527	10,073,640	12,885,167
2030	2,930,373	9,955,544	12,885,917
2031	3,055,534	9,832,008	12,887,542
2032-2036	20,498,958	46,944,828	67,443,786
2037-2041	27,829,436	41,626,775	69,456,211
2042-2046	34,750,011	34,709,450	69,459,461
2047-2051	58,197,569	24,984,961	83,182,530
2052-2056	48,485,000	8,233,613	56,718,613
2057-2061	6,235,000	358,513	6,593,513
Total	**$ 207,589,997**	**$ 204,807,270**	**$ 412,397,267**

The graph below shows the 5-year payment schedule, broken down by debt source:



Wastewater Related Debt

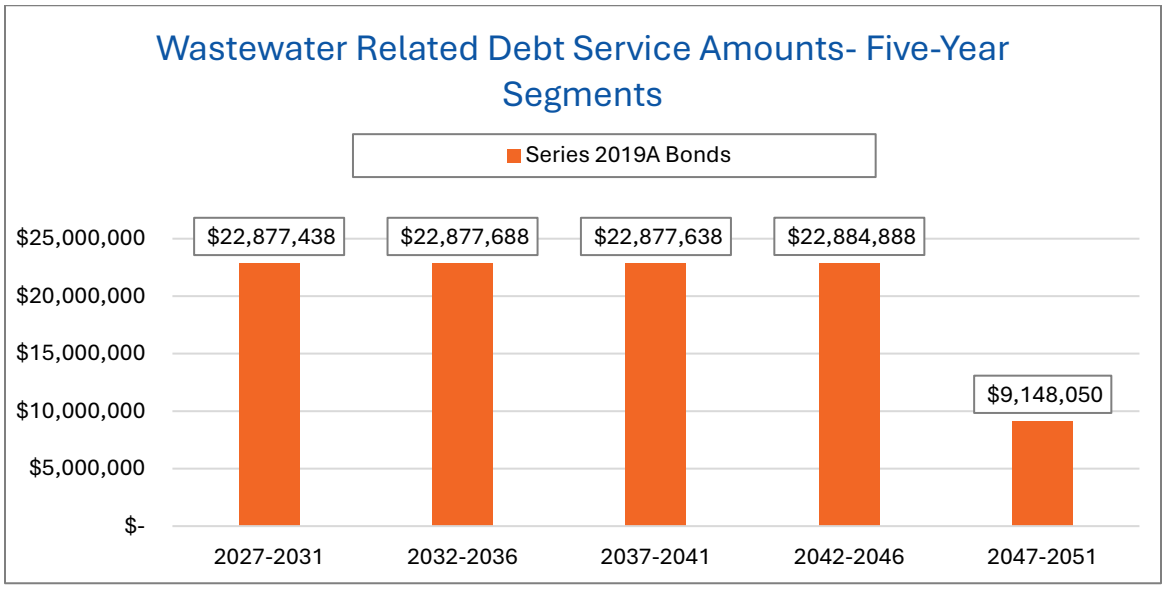
Highlands Ranch Water issued its Series 2019A Water and Wastewater Revenue Bonds dated January 17, 2019 in the par amount of $64,355,000 for the purpose of financing the engineering, design, and construction of the Phase 2 upgrades to the Marcy Gulch Wastewater Treatment Plant. These improvements are time sensitive modifications which enable Highlands Ranch Water to comply with regulatory discharge requirements. As of December 31, 2026, approximately $60.1 million of principal is projected to remain outstanding on the Series 2019A Water and Wastewater Revenue Bonds. The bonds have a final maturity of December 1, 2048.

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

Wastewater Related Annual Debt Service
2027-2051

Year	Principal	Interest	Total Debt Service
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	1,825,000	2,751,838	4,576,838
2031	1,915,000	2,660,588	4,575,588
2032-2036	11,110,000	11,767,688	22,877,688
2037-2041	13,985,000	8,892,638	22,877,638
2042-2046	17,790,000	5,094,888	22,884,888
2047-2051	8,475,000	673,050	9,148,050
Total	**$ 60,065,000**	**$ 40,600,700**	**$ 100,665,700**

The graph below shows the 5-year payment schedule for the bonds:



Debt Limits

Highlands Ranch Water has no statutory debt limits under Colorado law and no Board-adopted debt policy. Instead, all borrowing capacity is governed by covenants contained in the debt resolutions. The debt covenants require that:

1. Recurring revenues need to be sufficient to pay annual operating expenses and 100% of annual debt service:

		1x Annual Debt Service Coverage					
Year	Annual Debt Service	Operating Revenue	Net Investment Income/(Loss)	Recurring Revenue	Operating Expenses	Net Recurring Revenue	Debt Service Coverage
2025	$10,865,818	$ 58,734,724	$ 7,188,710	$65,923,434	$(43,289,191)	$ 22,634,243	2.08
2026	10,864,317	62,677,625	3,793,400	66,471,025	(43,821,488)	22,649,537	2.08
2027	13,924,447	67,283,455	2,051,500	69,334,955	(50,416,884)	18,918,071	1.36

2. Recurring revenues plus capital contributions must be sufficient to pay annual operating expenses and 125% of annual debt service:

		1.25x Annual Debt Service Coverage			
Year	Annual Debt Service	Net Recurring Revenue	Plus Capital Contributions	Total Net Revenue	Debt Service Coverage
2025	$10,865,818	$ 22,634,243	$ 2,026,991	$24,661,234	2.27
2026	10,864,317	22,649,537	2,122,138	24,771,675	2.28
2027	13,924,447	18,918,071	1,952,886	20,870,957	1.50

3. Net revenues plus up to 25% of annual debt service from the Rate Stabilization Account (Financial Assurance Fund) must be sufficient to pay 125% of annual debt service: [1]

		Additional Coverage Allowed			
Year	Annual Debt Service	Total Net Revenue	Rate Stabilization Account Balance	25% Allowance	Debt Service Coverage
2025	$10,865,818	$ 24,661,234	$ 20,707,967	$ 2,716,454	2.52
2026	10,864,317	24,771,675	20,707,967	2,716,079	2.53
2027	13,924,447	20,870,957	10,707,967	3,481,112	1.75

[1] Projected debt service coverage exceeds the 1.25x covenant requirement in all years presented without reliance on the Rate Stabilization Account. The supplemental calculation is shown to illustrate the additional coverage capacity available under the bond covenants.

4. Before issuing new debt, Highlands Ranch Water must show that recurring revenues are sufficient to pay 100% of the maximum annual debt service including the new debt, and that net revenues, plus eligible amounts from the Rate Stabilization Account (capped at 25% of annual debt service), are sufficient to cover at least 125% of the maximum annual debt service with the new debt included.

Net Change in Fund Balance

The Debt Service Fund's annual change in fund balance is influenced by the timing of debt service payments, transfers from operating funds, investment earnings, contributed capital revenues, and financing-related activities.

The net change in fund balance in the Debt Service Fund for 2025 actual, 2026 budgeted, 2026 projected, and 2027 adopted are as follows:

	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	% Change vs. 2025 Actual	% Change vs. 2026 Projected
Sources of Funding	$ 287,832	$ 271,685	$ 974,013	$ 526,280	82.8%	-46.0%
Uses of Funding	(10,847,916)	(10,864,317)	(10,864,317)	(14,491,047)	33.6%	-33.4%
Net	(10,560,084)	(10,592,632)	(9,890,304)	(13,964,767)	-32.2%	-41.2%
Other Sources/(Uses)	18,250,000	13,275,000	13,275,000	5,310,000	-70.9%	-60.0%
Accumulation (Use) of Fund Balance	7,689,916	2,682,368	3,384,696	(8,654,767)	-212.5%	-355.7%
Fund Balance - Beginning	13,700,537	21,444,505	21,390,453	24,775,149	80.8%	15.8%
Fund Balance - Ending	**$ 21,390,453**	**$ 24,126,873**	**$ 24,775,149**	**$ 16,120,382**	**-24.6%**	**-34.9%**

The proposed 2027 budget projects an ending Fund balance of approximately $16.1 million, a decrease of approximately $8.7 million (34.9%) from the projected 2026 ending fund balance of $24.8 million. The decrease is primarily attributable to lower transfers into the Debt Service Fund, estimated costs associated with a contemplated 2027 revenue bond issuance, and increased debt service requirements.

Transfers from other funds, which represent the primary source of funding for debt service payments, are projected to decrease from approximately $13.3 million in 2026 to $5.3 million in 2027. In addition, the proposed 2027 budget includes approximately $566,600 of estimated issuance costs associated with the contemplated revenue bond financing and an increase in annual bond payments from $10.9 million to $13.9 million.

Despite the planned use of Fund balance, the Debt Service Fund is expected to maintain adequate resources to meet projected debt service requirements, support compliance with bond covenants, and provide flexibility for future financing needs. Highlands Ranch Water periodically evaluates fund balances, debt service obligations, and debt coverage requirements to ensure long-term financial stability and continued access to capital markets.

Financial Assurance Fund

The Financial Assurance Fund is maintained to provide financial flexibility for unanticipated revenue shortfalls, unforeseen expenditures, economic volatility, changing regulatory requirements, or other extraordinary circumstances. The Financial Assurance Fund helps Highlands Ranch Water manage rate stability while maintaining the ability to respond to unexpected operational and capital funding needs.

The following table summarizes the sources and uses of funds for the Financial Assurance Fund for 2025 through 2027. Detailed discussions of the Fund's revenues, expenditures, capital projects, and fund balance activity are provided in the sections that follow.

	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	% Change vs. 2025 Actual	% Change vs. 2026 Projected
Sources of Funding	$ -	$ -	$ -	$ -	0.0%	0.0%
Uses of Funding	-	-	-	-	0.0%	0.0%
Net	-	-	-	-	0.0%	0.0%
Other Sources/(Uses)	2,013,300	-	-	(10,000,000)	-596.7%	100.0%
Accumulation/ (Use) of Fund Balance	2,013,300	-	-	(10,000,000)	-596.7%	100.0%
Fund Balance - Beginning	18,694,667	18,694,667	20,707,967	20,707,967	10.8%	0.0%
Fund Balance - Ending	**$ 20,707,967**	**$ 18,694,667**	**$ 20,707,967**	**$ 10,707,967**	**-48.3%**	**-48.3%**

Transfers into the Fund may occur when revenues exceed operating and capital funding requirements. Conversely, the fund may be used to support other funds when financial resources are needed for significant capital projects, debt obligations, or other strategic priorities. The proposed 2027 budget includes a $10.0 million transfer from the Financial Assurance Fund to support capital project funding, reducing the projected fund balance from $20.7 million at the end of 2026 to approximately $10.7 million at the end of 2027.

In addition to serving as a financial reserve, the Financial Assurance Fund provides flexibility in meeting Highlands Ranch Water's bond covenant requirements. Under the District's debt agreements, a Rate Stabilization Account is maintained and may be designated to supplement Net Revenues when evaluating compliance with the 125% debt service coverage requirement. Amounts in the Rate Stabilization Account are not pledged as security for the bonds; however, they may be used to pay debt service if needed. This provision provides additional financial assurance, supports compliance with bond covenants, and helps preserve future borrowing capacity.

Fund Transfers

Prior to the 2026 budget, the Operating Fund maintained a target ending fund balance equal to 50% of the following year's projected operating expenditures. Beginning with the 2026 budget, the Board reduced this target to 40%.

Operating revenues are first used to fund operating expenses and debt service requirements. Remaining resources may then be transferred to other funds based on operational, capital, regulatory, and strategic funding needs.

The following schedule summarizes interfund transfers for 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed.

Transfer	2025 Actual	2026 Budget	2026 Projected	2027 Proposed
Operating Fund				
From (to) Debt Service Fund	$ (18,250,000)	$ (13,275,000)	$ (13,275,000)	$ (5,310,000)
From (to) Capital/Major Repair Fund	-	(500,000)	(500,000)	(6,380,000)
From (to) Water Acquisition Fund	-	(2,500,000)	(2,500,000)	-
From (to) Financial Assurance Fund	(2,013,300)	-	-	-
Net Transfers	(20,263,300)	(16,275,000)	(16,275,000)	(11,690,000)
Capital and Major Repair Fund				
From (to) Operating Fund	-	500,000	500,000	6,380,000
From (to) Financial Assurance Fund	-	-	-	10,000,000
Net Transfers	-	500,000	500,000	16,380,000
Water Acquisition Fund				
From (to) Operating Fund	-	2,500,000	2,500,000	-
From (to) Debt Service Fund	-	-	-	-
From (to) Financial Assurance Fund	-	-	-	-
Net Transfers	-	2,500,000	2,500,000	-
Debt Service Fund				
From (to) Operating Fund	18,250,000	13,275,000	13,275,000	5,310,000
From (to) Water Acquisition Fund	-	-	-	-
From (to) Financial Assurance Fund	-	-	-	-
Net Transfers	18,250,000	13,275,000	13,275,000	5,310,000
Financial Assurance Fund	2,013,300	-	-	(10,000,000)

The proposed 2027 budget includes approximately $11.7 million of transfers from the Operating Fund, consisting of $5.3 million to the Debt Service Fund and $6.4 million to the Capital and Major Repair Fund. No transfer to the Water Acquisition Fund is proposed in 2027. In addition, the proposed budget includes a $10.0 million transfer from the Financial Assurance Fund to the Capital and Major Repair Fund to support major infrastructure projects included in the Capital Improvement Plan.

Department Summaries



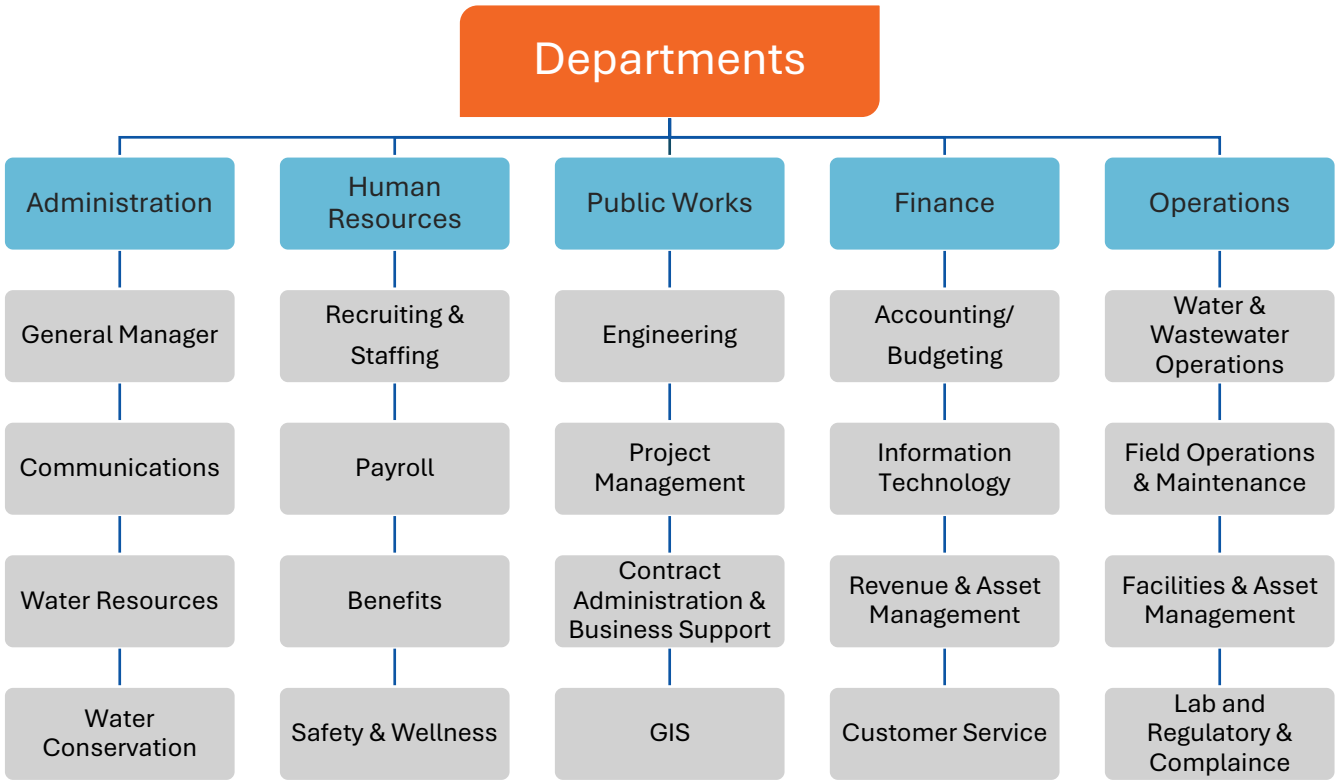
Summary

Highlands Ranch Water is organized into five departments: Administration, Human Resources, Public Works, Finance, and Operations. Each department has distinct responsibilities that support reliable operations and customer service.

Primary Goals and Objectives

Department performance is evaluated annually based on the following objectives:

- Administration – ensure Highlands Ranch Water operates in accordance with its Board-adopted Vision, Mission, and Strategic Goals.
- Human Resources – sustain staffing levels through successful recruitment, training and retention efforts.
- Public Works – ensure District facilities remain compliant with all applicable regulations through the effective management of capital and major repair projects.
- Finance – safeguard Highlands Ranch Water's financial resources through effective financial planning, budgeting and fiscal management.
- Operations – reliably deliver safe drinking water to the community and ensure the effective collection and treatment of wastewater.



Administration

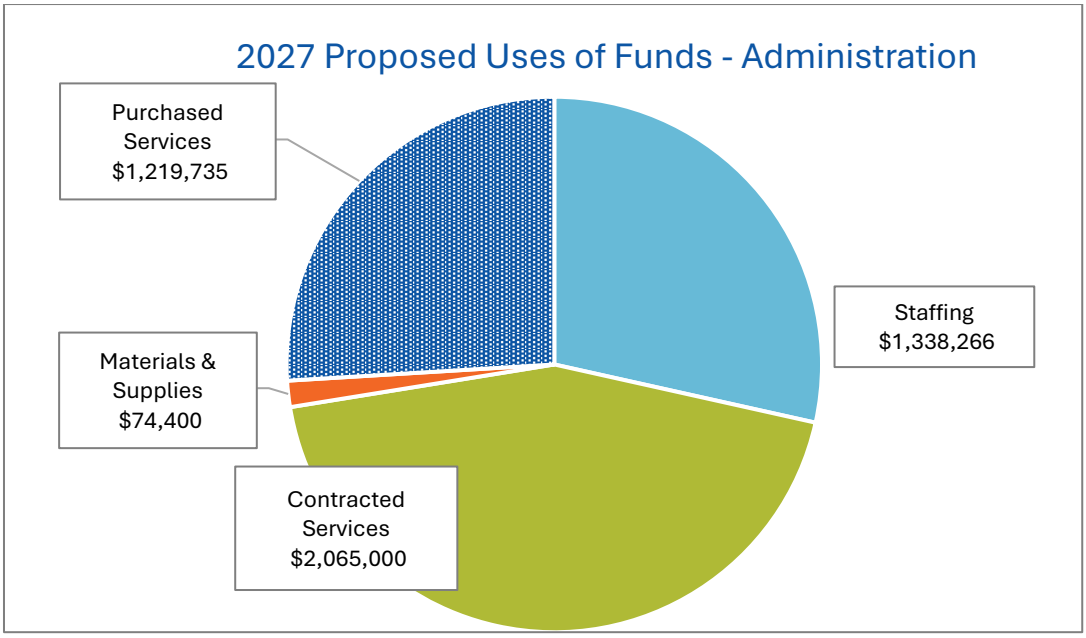
Administration Department is led by the General Manager. Key responsibilities of the department include:

- General leadership and management of Highlands Ranch Water and implementation of policies established by the Board
- Responsible management of Highlands Ranch Water's water supply and planning 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 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed:

Expense Type	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	% Change vs. 2025 Actual	% Change vs. 2026 Projected
Staffing	$ 1,228,705	$ 1,317,070	$ 1,342,716	$ 1,338,266	8.9%	-0.3%
Contracted Services	1,247,648	1,790,000	1,145,000	2,065,000	65.5%	80.3%
Materials & Supplies	33,826	50,000	45,520	74,400	120.0%	63.4%
Purchased Services	747,386	907,430	1,101,420	1,219,735	63.2%	10.7%
Total	$ 3,257,564	$ 4,064,500	$ 3,634,656	$ 4,697,401	44.2%	29.2%

The graph below shows the allocation of operating expenses for the Administration Department for the 2027 proposed budget:



Administration Department expenditures are proposed to increase by $632,901 (15.6%), from $4.1 million in the 2026 adopted budget to $4.7 million in the 2027 proposed budget. The increase is primarily attributable to higher conservation incentive program funding, increased Board legal costs, additional funding for Board elections, and higher water resources memberships.

Human Resources

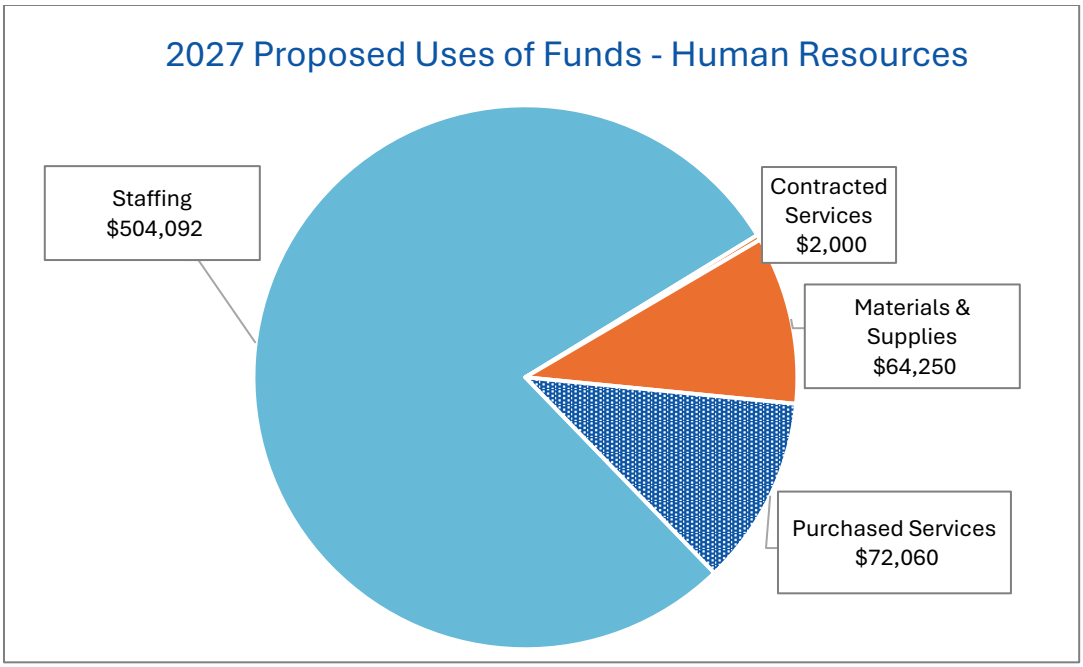
Human Resources Department is led by the Director of Human Resources and is shared with the Highlands Ranch Metro District, however there are certain costs incurred by the Department that are specific to Highlands Ranch Water. Leadership and staff in this department are primarily responsible for the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

- Centralized recruitment, administration of employee benefit programs, and payroll processing
- Coordination of employee training and organizational development programs
- Management of safety procedures and safety education

The table below shows the operating expenses for the Human Resources Department for 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed:

Expense Type	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	2025 Actual	2026 Projected
Staffing	$ 445,469	$ 466,870	$ 468,822	$ 504,092	13.2%	7.5%
Contracted Services	-	-	1,000	2,000	100.0%	100.0%
Materials & Supplies	13,079	32,700	37,200	64,250	391.3%	72.7%
Purchased Services	26,900	72,930	66,630	72,060	167.9%	8.1%
Total	$ 485,448	$ 572,500	$ 573,652	$ 642,402	32.3%	12.0%

The graph below shows the allocation of operating expenses for the Human Resources Department for the 2027 budget:



Human Resources Department expenditures are proposed to increase by $69,012 (12.2%), from $572,500 in the 2026 adopted budget to $642,402 in the 2027 proposed budget. The increase is primarily driven by the continued enhancement and centralization of the District's safety program, including the consolidation of certain safety-related expenditures previously budgeted within operating departments, as well as additional safety training, compliance, and equipment needs. Additional increases are reflected in shared staffing and overhead allocations, recruitment efforts, and employee benefits support services.

Public Works

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

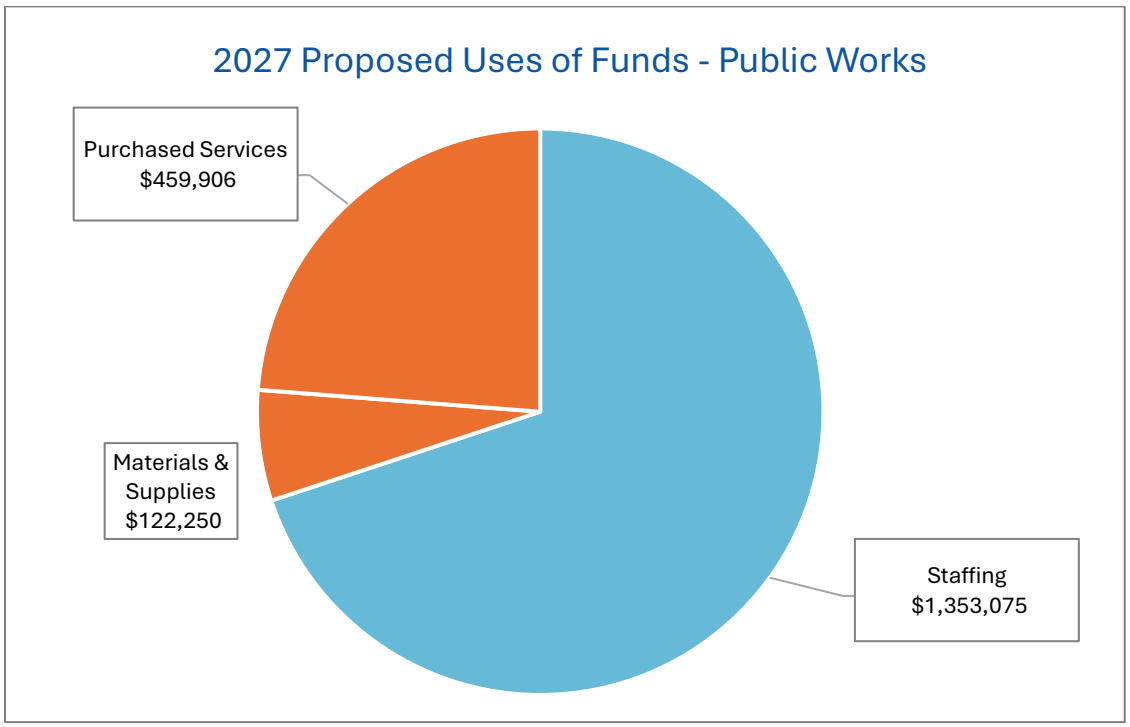
Leadership and staff in this department are primarily responsible for the following:

- Central direction, coordination, and supervision of engineering and contract administration
- Maintenance of accurate and complete geospatial data to support informed decision-making by the Board and management
- Facilitation of the design and construction of capital and major repair projects

The table below shows the operating expenses for the Public Works Department for 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed:

Expense Type	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	% Change vs. 2025 Actual	% Change vs. 2026 Projected
Staffing	$ 1,139,221	$ 1,311,260	$ 1,180,000	$ 1,353,075	18.8%	14.7%
Materials & Supplies	18,910	25,810	36,705	122,250	546.5%	233.1%
Purchased Services	244,825	423,210	410,075	459,906	87.9%	12.2%
Utilities	37,384	51,000	51,000	51,000	36.4%	0.0%
Total	$ 1,440,340	$ 1,811,280	$ 1,677,780	$ 1,986,231	37.9%	18.4%

The graph below shows the allocation of operating expenses for the Public Works Department for the 2027 proposed budget:



Public Works Department expenditures are proposed to increase by $174,951 (9.7%), from $1.8 million in the 2026 adopted budget to $2.0 million in the 2027 proposed budget. The increase is primarily attributable to expanded facilities maintenance and support activities for the Administration Building, including new site maintenance services, software subscriptions, and facility-related operating costs. Additional increases are associated with GIS and engineering software, shared staffing allocations, and personnel-related costs. These increases are partially offset by reductions in miscellaneous services, repair activities, and other one-time expenditures included in the 2026 budget.

Finance

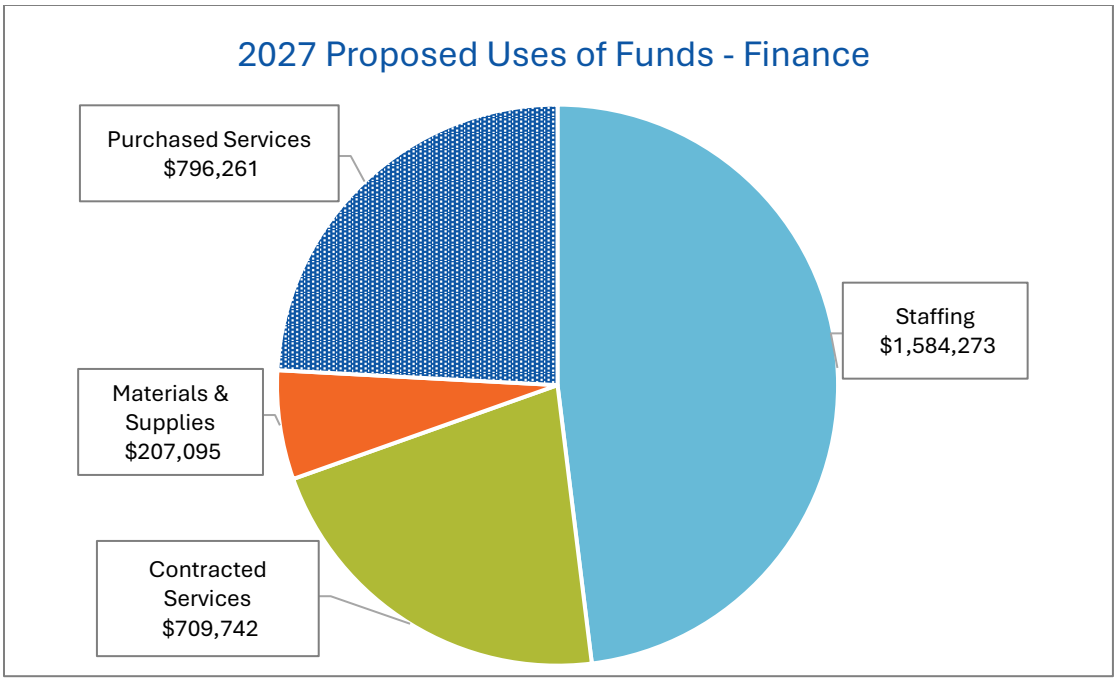
Finance Department is led by the Director of Finance and is shared with the Highlands Ranch Metro District, however there are certain costs incurred by the Department that are specific to Highlands Ranch Water. Leadership and staff in this department are primarily responsible for the following:

- 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 Information Technology systems and customer service

The table below shows the operating expenses for the Finance Department for 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed:

Expense Type	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	% Change vs. 2025 Actual	% Change vs. 2026 Projected
Staffing	$ 1,221,397	$ 1,527,565	$ 1,378,541	$ 1,584,273	29.7%	14.9%
Contracted Services	552,542	645,000	657,904	709,742	28.5%	7.9%
Materials & Supplies	133,142	155,520	115,550	207,095	55.5%	79.2%
Purchased Services	1,335,767	937,880	1,346,195	796,261	-40.4%	-40.9%
Total	$ 3,242,848	$ 3,265,965	$ 3,498,190	$ 3,297,371	1.7%	-5.7%

The graph below shows the allocation of operating expenses for the Finance Department for 2027 proposed budget:



Finance Department expenditures are proposed to increase by $31,406 (1.0%), which is essentially flat compared to the 2026 adopted budget. Overall changes are relatively minor and primarily reflect increases in staffing costs, technology expenditures, and insurance premiums.

Operations

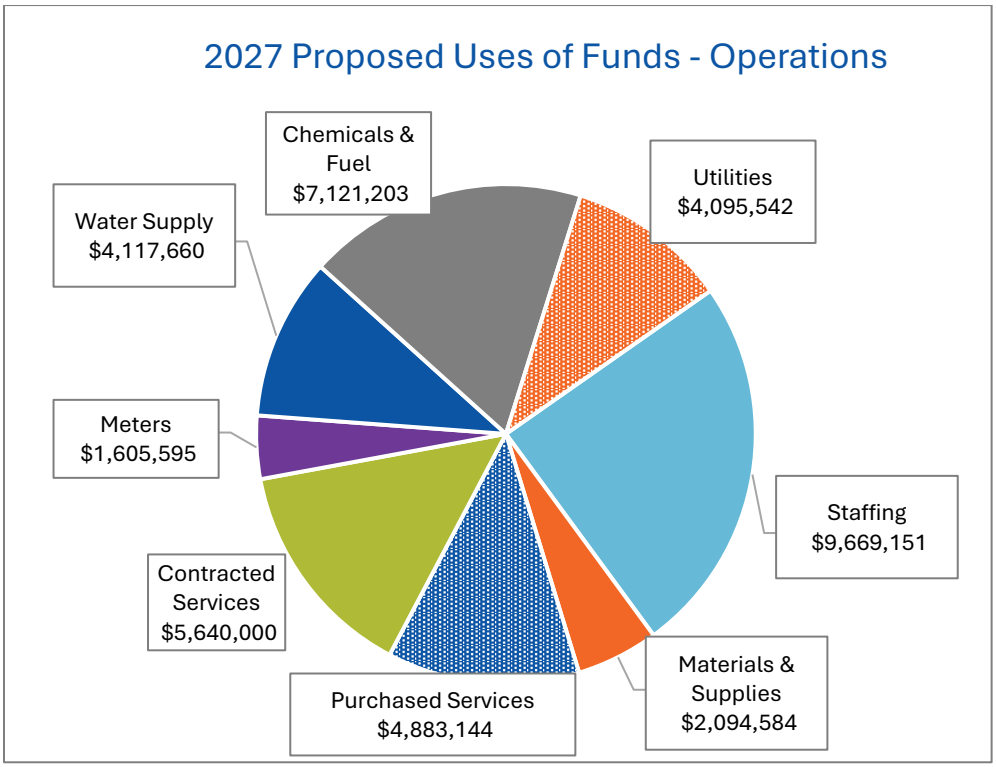
Operations Department is led by the Director of Operations. Leadership and staff in this department are primarily responsible for the following:

- Operation and maintenance of the water distribution system and treatment of surface water sources in compliance with the Safe Drinking Water Act
- Operation and maintenance of Highlands Ranch Water's wastewater collection system, including cleaning and emergency repairs to sewage conveyance facilities
- Preventive maintenance of capital equipment and facilities

The table below shows the operating expenses for the Operations Department for 2025 actual, 2026 budgeted, 2026 projected, and 2027 proposed:

Expense Type	2025 Actual	2026 Budget	2026 Projected	2027 Proposed	% Change vs. 2025 Actual	% Change vs. 2026 Projected
Staffing	$ 8,843,036	$ 9,402,705	$ 9,310,269	$ 9,669,151	9.3%	3.9%
Materials & Supplies	2,365,831	1,867,350	2,012,462	2,094,584	-11.5%	4.1%
Purchased Services	5,299,386	4,715,300	5,097,550	4,883,144	-7.9%	-4.2%
Contracted Services	5,176,622	5,391,065	4,482,759	5,640,000	9.0%	25.8%
Meters	1,760,577	1,099,485	362,000	1,605,595	-8.8%	343.5%
Water Supply	2,129,501	4,105,714	2,671,853	4,117,660	93.4%	54.1%
Chemicals & Fuel	5,518,164	6,837,085	6,399,516	7,121,203	29.1%	11.3%
Utilities	3,614,441	3,806,105	4,100,801	4,095,542	13.3%	-0.1%
Total	$ 34,707,558	$ 37,224,809	$ 34,437,210	$ 39,226,879	13.0%	13.9%

The graph below shows the allocation of operating expenses for the Operations Department for the 2027 proposed budget:



Operations Department expenditures are proposed to increase by $2.0 million (5.4%), from $37.2 million in the 2026 adopted budget to $39.2 million in the 2027 proposed budget. The increase is primarily attributable to higher purchased water costs, expanded meter replacement activities, increased treatment chemical expenditures, higher utility costs for pumping operations, and increased repair and maintenance activities throughout the water and wastewater systems. Additional increases are reflected in personnel-related costs and technology investments that support department operations.

Capital Improvement Plan



Summary

Capital, major repair, and water acquisition projects (collectively referred to as "capital") have a substantial impact on both the overall quality and reliability of water and wastewater service delivery and Highlands Ranch Water's long-term financial resources. This Capital Improvement Plan (CIP) provides a framework for understanding the overall infrastructure of the system and prioritizing the projects needed to maintain the system to a high standard of safety, reliability, regulatory compliance, and customer service.

This CIP presents a 10-year capital plan across the various activities of Highlands Ranch Water and identifies projects expected to have a significant impact on financial resources and operations. Projects included in the CIP originate from a variety of sources including department requests, long-range strategic plans, asset management and replacement programs, and regulatory requirements. While this document presents the next ten years of planned capital expenditures, Highlands Ranch Water evaluates infrastructure needs beyond the formal planning horizon when assessing long-term system reliability, regulatory requirements, and future financial capacity. As capital costs often exceed annually available operating resources, Highlands Ranch Water uses the CIP to evaluate future funding needs, including interfund transfers, available reserves, debt financing, grants, and other funding sources.

Project Prioritization

Due to changes in operational needs, regulatory requirements, project costs, available funding, or other significant events, projects identified in this document may be accelerated, deferred, modified, or removed. While there are inherent risks associated with deferring infrastructure investments, Highlands Ranch Water evaluates projects from both an operational and financial perspective when establishing priorities. The Capital Improvement Plan is updated annually to reflect significant changes that may affect project scope, timing, or cost.

During the annual budget process, the General Manager and staff review the Capital Improvement Plan and evaluate previously identified projects to determine whether modifications are necessary. Factors considered during this review include:

1. Changes in financial resources available for capital projects.
2. Changes in project costs due to inflation, market conditions, or scope modifications.
3. New infrastructure needs or events that warrant the addition or acceleration of projects.
4. Regulatory changes requiring capital improvements.
5. Changes in water supply, operational, or service delivery requirements.

As part of this process, the updated Capital Improvement Plan is incorporated into a long-term financial forecast model to evaluate whether projected financial resources can support planned capital investments while maintaining water and wastewater rate increases at levels deemed reasonable by the Board and customers. If additional financial resources are needed, Highlands Ranch Water may:

1. Re-prioritize projects within the Capital Improvement Plan.

2. Identify additional funding sources, including interfund transfers, available reserves, debt financing, grants, or other funding mechanisms.

Staff present the recommended Capital Improvement Plan and associated financial forecasts to the Board during the annual budget process. Through the budget workshop and subsequent budget discussions, the Board reviews project priorities, funding strategies, and long-term infrastructure needs before adopting the final budget and Capital Improvement Plan.

Major Capital Projects

The proposed 10-year Capital Improvement Plan includes approximately $234.5 million of planned capital investment. Major project categories include Water Treatment Plant improvements ($111.6 million), Water Acquisition projects ($30.7 million), Collection System improvements ($20.4 million), Distribution System improvements ($17.0 million), Groundwater Treatment Plants and Wells ($15.7 million), Vehicles and Equipment ($13.9 million), In-Tract Line replacements ($9.9 million), Wastewater Treatment Plant ($5.7 million) and Other Projects including SCADA and facility improvements ($9.6 million).

The sections below summarize capital spending by category and highlight notable capital and major repair projects included in the Capital Improvement Plan. A complete list of projects is provided on pages 97-98.

Vehicles and Equipment

The Vehicles and Equipment category includes approximately $1.3 million of planned expenditures in 2027 and $13.9 million over the 10-year planning horizon. These investments support asset lifecycle replacement and operational reliability across Highlands Ranch Water's water and wastewater systems.

The largest recurring investments include placeholders for vehicle replacements, well equipment, field equipment, and treatment plant equipment. The 2027 program also includes replacement of laboratory and maintenance equipment, including a FlowCam, well flow meters, a skid steer, a trailer, and a utility cart. Planned replacements are intended to maintain operational efficiency, reduce maintenance costs, and support reliable service delivery.

Water Treatment Plant

The Water Treatment Plant improvements include approximately $23.7 million of planned expenditures in 2027 and $111.6 million over the 10-year planning horizon, making it the largest component of the Capital Improvement Plan. These investments support Highlands Ranch Water's long-term objectives of increasing treatment capacity, improving operational reliability, and maintaining compliance with current and future regulatory requirements.

The primary project is the Joseph B. Blake Water Treatment Plant Phase 2 Improvements Project, which originated from the 2018 Water Treatment Utility Plan. Phase 1A, completed in 2024, improved pretreatment processes and increased plant capacity from 26 million gallons per day (MGD) to 30 MGD. Phase 1B, completed in 2026, enhanced chemical storage and feed systems, site electrical infrastructure and overall plant reliability. Design of Phase 2 is currently underway and includes upgrades to the filtration system, chlorine contact basin, pump stations, backup power infrastructure, and PFAS treatment facilities.

Together, these improvements are intended to increase the plant's reliable treatment capacity to 40 MGD while improving resiliency, operational flexibility, and regulatory compliance. The project is being delivered using a Construction Manager at Risk (CMAR) approach. Due to the size, complexity, and long lead times associated with critical equipment, procurement activities began in 2026. Construction and additional early procurement activities are anticipated in 2027, with project completion currently expected in 2030. At approximately $111.6 million, Phase 2 represents the largest capital project currently identified in the Capital Improvement Plan and is the primary driver of the contemplated 2027 debt financing.

Wastewater Treatment Plant

The Wastewater Treatment Plant improvements include approximately $2.9 million of planned expenditures in 2027 and $5.7 million over the 10-year planning horizon. These investments are intended to maintain treatment reliability, address aging infrastructure, and preserve the long-term performance of the Marcy Gulch Wastewater Treatment Plant.

Following substantial completion of the Marcy Gulch Wastewater Treatment Plant Phase II Improvements Project in 2025, the focus of the Capital Improvement Plan has shifted from major treatment capacity and regulatory compliance improvements to rehabilitation and renewal of existing infrastructure. The largest remaining project within this category is the Headworks Equipment Replacement Project, which includes replacement of critical process equipment and rehabilitation of facilities identified through the Wastewater Utility Plan as approaching the end of their useful lives.

The Capital Improvement Plan also includes funding for additional site improvements and continued evaluation of future treatment requirements associated with evolving nutrient regulations. While no major Phase III treatment facilities are currently planned within the active planning horizon, Highlands Ranch Water continues to monitor regulatory developments and assess long-term treatment needs that could require future capital investment beyond the period presented in this Capital Improvement Plan.

Groundwater Treatment Plants and Wells

The Groundwater Treatment Plants and Wells improvements include approximately $2.6 million of planned expenditures in 2027 and $15.7 million over the 10-year planning horizon. Highlands Ranch Water's groundwater system serves as both a drought-resiliency resource and an operational backup when the Joseph B. Blake Water Treatment Plant is unavailable due to maintenance, repairs, or capital improvement activities. Planned investments are intended to maintain production capacity, improve reliability, and extend the useful life of critical groundwater infrastructure.

The largest planned investment is the Well redrill Program, which represents approximately $14.5 million of planned expenditures over the planning horizon. Well redrills allow Highlands Ranch Water to continue utilizing adjudicated groundwater resources while replacing aging infrastructure and improving long-term well performance. Additional projects include groundwater treatment plant improvements, media and valve replacements, monitoring wells, and groundwater system evaluations that support reliable operations and long-term water supply resilience.

Distribution System

The Distribution System category includes approximately $8.4 million of planned expenditures in 2027 and $17.0 million over the 10-year planning horizon. These investments support the reliable delivery of treated water throughout the service area and are intended to maintain adequate flow, storage, pressure, fire protection, and operational resiliency as system infrastructure continues to age.

The largest project currently underway is the McLellan B Pump Station Renovation, which represents approximately $6.7 million of planned expenditures. McLellan B is one of two pump stations used to convey raw water to the Joseph B. Blake Water Treatment Plant and is a critical component of Highlands Ranch Water's surface water supply system. The project includes replacement of aging diesel pumps with electric pumps, installation of backup power generation, and rehabilitation of electrical, mechanical, and structural systems.

Additional projects include a Distribution System Master Plan Update, a Cathodic Protection Assessment, improvements to return flow infrastructure, and future upgrades to the Zone 4A Pump Station. Together, these projects are intended to support long-term system reliability, improve operational flexibility, and guide future capital investment decisions.

Collection System

The Collection System category includes approximately $600,000 of planned expenditures in 2027 and $20.4 million over the 10-year planning horizon. These investments are intended to maintain the reliable conveyance of wastewater throughout the service area, replace aging infrastructure, and ensure compliance with current design and regulatory standards.

The largest planned investments are the Big Dry Lift Station Upgrade and Willow Creek Lift Station Upgrade, which together account for approximately $19.5 million of planned expenditures. Both lift stations were constructed in the mid-1980s and are approaching the point where significant rehabilitation is needed to maintain long-term reliability. Planned improvements include replacement of aging electrical and mechanical equipment, backup power improvements, additional process equipment, and enhancements necessary to meet current Colorado Department of Public Health and Environment design criteria. The CIP also includes development of a Collection System Master Plan to support long-term planning and future capital investment decisions, as well as improvements to the Marina Lift Station.

Other Projects

The Other Projects category includes approximately $400,000 of planned expenditures in 2027 and $9.6 million over the 10-year planning horizon. These investments support organization-wide planning efforts, technology systems, and facility improvements that enhance operational efficiency, employee safety, and long-term service reliability.

The largest planned investment is a multi-year Facilities Improvement Program, which includes planning, renovation, and modernization of operational and administrative facilities. Potential improvements include upgrades to maintenance and operational workspaces, laboratory facilities, and other support areas to improve safety, functionality, efficiency, and accessibility.

The category also includes development of a SCADA Master Plan, which will establish a long-term framework for communications, telemetry, cybersecurity, system redundancy, and operational reliability.

Because the SCADA system supports monitoring and control of critical water and wastewater infrastructure throughout Highlands Ranch Water's service area, long-term planning is necessary to ensure the system remains reliable, secure, and capable of supporting future operational needs.

In-Tract Lines

The In-Tract Lines category includes approximately $900,000 of planned expenditures in 2027 and $9.9 million over the 10-year planning horizon. These projects support the planned replacement of aging water and sewer infrastructure located within Highlands Ranch neighborhoods and help maintain long-term system reliability.

Under the Water and Wastewater Service Agreement, Highlands Ranch Water manages the in-tract water and sewer line replacement program on behalf of the Highlands Ranch Metro District. Highlands Ranch Water evaluates infrastructure condition, identifies replacement priorities, develops annual replacement recommendations, and oversees project delivery. Because ownership of the in-tract infrastructure remains with the Metro District, approved replacement costs are expected to be reimbursed by the Metro District. Planned expenditures primarily consist of ongoing pipeline and valve replacement projects identified through condition assessments and asset management planning.

Water Acquisition

The Water Acquisition category includes approximately $1.0 million of planned expenditures in 2027 and $30.7 million over the 10-year planning horizon. These investments support Highlands Ranch Water's long-term strategy of maintaining a reliable and sustainable water supply portfolio while reducing dependence on nonrenewable groundwater resources.

The largest planned investment is the WISE Salinity Management Project, which represents approximately $22.0 million of planned expenditures over the planning horizon. The project supports Highlands Ranch Water's continued participation in the Water Infrastructure and Supply Efficiency (WISE) partnership and includes future regional infrastructure improvements necessary to maintain reliable deliveries of renewable water supplies. The project reflects Highlands Ranch Water's participation in the WISE partnership and anticipated future investments associated with regional water supply infrastructure. Because the timing, scope, and cost of future WISE-related projects remain subject to ongoing planning and decisions by WISE participants, actual expenditures may differ from those currently reflected in the Capital Improvement Plan.

Additional planned investments include water rights acquisitions, future surface water and groundwater acquisition opportunities, and continued evaluation of South Platte Wellfield No. 1, a project that could provide an additional means of recovering reusable return flows and further diversify Highlands Ranch Water's long-term water supply portfolio.

10 Year Capital Improvement Plan

	2026 Adopted	2026 Projected	2027	2028	2029	2030	2031	2032-2026	Total
Vehicles & Equipment									
Vehicles	$ 239,000	$ 239,000	$ 208,000	$ 280,000	$ 280,000	$ 285,000	$ 285,000	$ 1,435,000	$ 2,773,000
WTP Equipment	-	-	-	100,000	100,000	100,000	100,000	500,000	900,000
WWTP Equipment	-	-	-	50,000	50,000	50,000	50,000	250,000	450,000
Well Equipment	600,000	600,000	600,000	600,000	600,000	600,000	600,000	3,000,000	6,000,000
Field Equipment	-	-	-	100,000	100,000	100,000	100,000	500,000	900,000
Dump Truck	310,000	241,717	-	-	-	-	-	-	-
Articulating Boom Lift	-	85,626	-	-	-	-	-	-	-
FlowCam	-	-	140,000	-	-	-	-	-	140,000
Well Flow Meters	-	-	231,520	-	-	-	-	-	231,520
Skid Steer	-	-	95,000	-	-	-	-	-	95,000
C&D Trailer	-	-	56,000	-	-	-	-	-	56,000
Utility Cart (Plant Maintenance)	-	-	15,000	-	-	-	-	-	15,000
Lab- Gas Chromatograph - MS	-	-	-	-	250,000	-	-	-	250,000
Future Years New Equip	-	-	-	425,000	-	425,000	-	1,275,000	2,125,000
Total Vehicles & Equipment	$ 1,149,000	$ 1,166,343	$ 1,345,520	$ 1,555,000	$ 1,380,000	$ 1,560,000	$ 1,135,000	$ 6,960,000	$ 13,935,520
Water Treatment Plant									
WTP Phase 1B	$ 7,712,205	$ 5,706,400	$ -	$ -	$ -	$ -	$ -	$ -	$ -
WTP Phase 2	20,992,930	1,940,800	23,728,000	36,175,100	34,015,000	17,642,400	-	-	111,560,500
Total Water Treatment Plant	$ 28,705,135	$ 7,647,200	$ 23,728,000	$ 36,175,100	$ 34,015,000	$ 17,642,400	$ -	$ -	$ 111,560,500
Wastewater Treatment Plant									
Marcy Gulch WWTP Phase II	$ -	$ 522,900	$ 250,000	$ -	$ -	$ -	$ -	$ -	$ 250,000
Headworks Equipment Replacement	5,500,000	3,252,100	2,437,700	-	-	-	-	-	2,437,700
Flume @ Lower Marcy Gulch Channel S	250,000	-	-	250,000	-	-	-	-	250,000
Marcy Gulch Site Improvements	250,000	-	250,000	2,500,000	-	-	-	-	2,750,000
Advanced Treatment/ Phase III	-	-	-	-	-	-	-	-	-
Total Wastewater Treatment Plant	$ 6,000,000	$ 3,775,000	$ 2,937,700	$ 2,750,000	$ -	$ -	$ -	$ -	$ 5,687,700
Groundwater Treatment Plants/ Well Redrills									
GWTP #1 Filter Valve Replacement	$ -	$ -	$ -	$ 800,000	$ -	-	$ -	$ -	$ 800,000
Well Drill Program	-	-	2,500,000	-	-	3,000,000	-	9,000,000	14,500,000
Monitoring Wells	687,065	-	-	-	-	-	-	-	-
Well A-1R Replacement	-	16,241	-	-	-	-	-	-	-
Groundwater System Evaluation	-	263,000	100,000	-	-	-	-	-	100,000
GWTP #2 Media Replacement	-	-	-	-	-	300,000	-	-	300,000
Total GWTP/Wells	$ 687,065	$ 279,241	$ 2,600,000	$ 800,000	$ -	$ 3,300,000	$ -	$ 9,000,000	$ 15,700,000

	2026 Adopted	2026 Projected	2027	2028	2029	2030	2031	2031 - 2034	Total
Distribution System									
Cline Headgate Renovation	$ -	$ 26,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Plum Creek Parcel - Mirabelle Service P	-	-	-	-	-	-	-	-	-
Cathodic Protection Assessment	650,000	-	-	650,000	-	-	-	-	650,000
Distribution System Master Plan Updat	-	-	750,000	-	-	-	-	-	750,000
McLellan B Pump Station Renovation	8,035,115	2,298,300	6,662,000	-	-	-	-	-	6,662,000
South Platte Pump Station Valve Replac	200,000	120,855	-	-	-	-	-	-	-
Distribution Tank Vent Replacement	140,000	280,000	-	-	-	-	-	-	-
Cline Delayed Return Flow Facility	-	-	-	200,000	-	1,500,000	-	-	1,700,000
Zone 5 Download/Pressure Sustain Val	150,000	-	150,000	-	-	-	-	-	150,000
McLellan A Pump Station	-	-	-	-	-	2,000,000	-	-	2,000,000
Zone 6 Surge Anticipator Valve	-	-	-	-	-	-	-	100,000	100,000
Fairview Ditch Gate Replacement	-	-	-	-	-	100,000	-	-	100,000
Dad Clark Return Flows Metering Stabil	300,000	150,000	830,000	-	-	-	-	-	830,000
South Platte Res De-strat Compressor	-	-	-	-	-	-	100,000	-	100,000
Zone 4A Pump Station		-	-	-	-	-	-	4,000,000	4,000,000
Total Distribution System	$ 9,475,115	$ 2,875,655	$ 8,392,000	$ 850,000	$ -	$ 3,600,000	$ 100,000	$ 4,100,000	$ 17,042,000
Collection System									
Marcy Gulch Lift Station Improvements	$ -	$ 12,600	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Marina Lift Station	100,000	-	100,000	-	-	-	-	-	100,000
Collection System Master Plan	-	-	-	800,000	-	-	-	-	800,000
Big Dry Lift Station Upgrades	-	-	-	-	1,500,000	-	-	10,000,000	11,500,000
Willow Creek Lift Station	500,000	-	500,000	-	-	-	-	7,500,000	8,000,000
Total Collection System	$ 600,000	$ 12,600	$ 600,000	$ 800,000	$ 1,500,000	$ -	$ -	$ 17,500,000	$ 20,400,000
Other Projects									
SCADA	$ 400,000	$ -	$ 400,000	$ 300,000	$ 200,000	$ -	$ -	$ -	$ 900,000
Building Improvements	150,000	74,906	-	150,000	8,500,000	-	-	-	8,650,000
Total Other Projects	$ 550,000	$ 74,906	$ 400,000	$ 450,000	$ 8,700,000	$ -	$ -	$ -	$ 9,550,000
In-Tract Lines									
2026 Pipeline and Valve Replacements	$ 1,790,810	$ 1,977,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Future Pipeline and Valve Replacemen	-	-	900,000	1,040,000	990,000	1,000,000	1,000,000	5,000,000	9,930,000
Total In-Tract Lines	$ 1,790,810	$ 1,977,500	$ 900,000	$ 1,040,000	$ 990,000	$ 1,000,000	$ 1,000,000	$ 5,000,000	$ 9,930,000

	2026 Adopted	2026 Projected	2027	2028	2029	2030	2031	2031 - 2034	Total
Water Acquisition									
Chatfield Reallocation	$ 10,000	$ 10,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2022 Well Program - D-20A	-	15,000	-	-	-	-	-	-	-
WISE	2,430,000	-	-	-	-	-	-	-	-
WISE Salinity Management Project	1,660,000	-	320,000	3,500,000	600,000	1,100,000	-	16,500,000	22,020,000
SP-14 Monitoring Well	-	600	-	-	-	-	-	-	-
Water Rights Acquisition	-	710,500	710,500	-	-	-	-	-	710,500
South Platte Wellfield #1	-	-	-	-	-	5,000,000	-	-	5,000,000
Acquisition of Surface or Ground Water	-	-	-	1,000,000	-	-	1,000,000	1,000,000	3,000,000
Total Water Acquisition	$ 4,100,000	$ 736,100	$ 1,030,500	$ 4,500,000	$ 600,000	$ 6,100,000	$ 1,000,000	$ 17,500,000	$ 30,730,500
Total Capital Improvement Plan	**$ 53,057,125**	**$ 18,544,545**	**$ 41,933,720**	**$ 48,920,100**	**$ 47,185,000**	**$ 33,202,400**	**$ 3,235,000**	**$ 60,060,000**	**$ 234,536,220**

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/Expenses

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 ¾" 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

Highlands Ranch Water's budget procedures shall comply with Local Government Budget Law of Colorado as outlined in Colorado Revised Statues (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 40% 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.

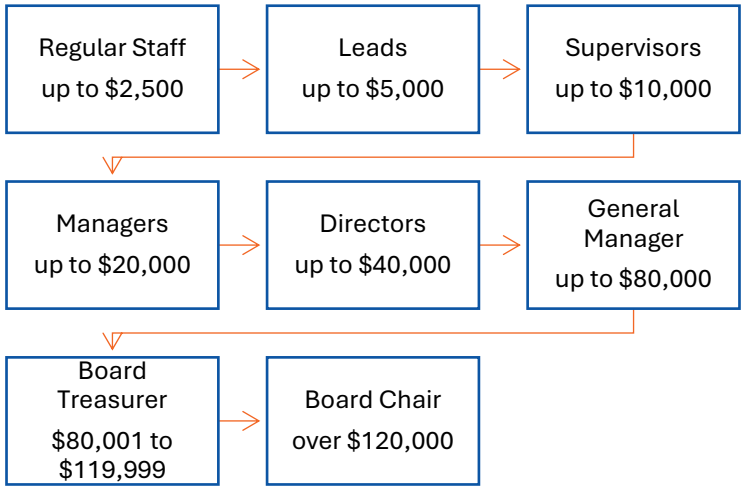
5. Prime Commercial Paper with an original maturity of 180 days or less which is rated at least A-1 by Standard & Poor's or P-1 by Moody's at the time of purchase by each service which rates the commercial paper.
6. Eligible Bankers Acceptances with original maturities not exceeding 180 days, issued 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 Poor's 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 Full-Time Equivalents

	2025 Actual	2026 FTEs	2027 FTEs	2027 Shared Staff	Total FTEs
Operations and Maintenance Management					
Director, Water/Wastewater Operations	1.00	1.00	1.00	-	1.00
Superintendent, Field Operations and Maintenance	1.00	1.00	1.00	-	1.00
Superintendent, Water and Wastewater	1.00	1.00	1.00	-	1.00
Superintendent, Facilities Maintenance & Asset Mgmt.	1.00	1.00	1.00	-	1.00
Business Support	4.00	4.00	4.00	-	4.00
Regulatory Compliance Coordinator	1.00	1.00	1.00	-	1.00
Water and Wastewater Operations					
SCADA Manager		1.00	1.00	-	1.00
SCADA Supervisor	1.00	1.00	2.00	-	2.00
SCADA Lead Technician	1.00	1.00	0.00	-	-
SCADA Technicians	3.00	3.00	3.00	-	3.00
Lead Operators	2.00	2.00	2.00	-	2.00
WTP Plant Operators	5.00	5.00	5.00	-	5.00
WWTP Operators	5.00	5.00	5.00	-	5.00
Process Control Operator	1.00	1.00	1.00	-	1.00
Facilities Maintenance and Asset Management					
Lead Maintenance Mechanic	2.00	2.00	2.00	-	2.00
Maintenance Mechanic	5.00	5.00	5.00	-	5.00
Maintenance Worker	1.00	2.00	1.00	-	1.00
Field Operations Lead	1.00	1.00	1.00	-	1.00
Field Operators	5.00	5.00	5.00	-	5.00
Field Instrument Technician	1.00	1.00	1.00	-	1.00
Field Operations and Maintenance					
Lead Collections & Distribution	1.00	1.00	1.00	-	1.00
Collections & Distribution Mechanics	10.00	10.00	10.00	-	10.00
Lead Meter Technician	1.00	1.00	1.00	-	1.00
Meter Technicians	8.00	8.00	8.00	-	8.00
Lead Meter Reader	1.00	1.00	1.00	-	1.00
Meter Readers	1.00	1.00	1.00	-	1.00
Laboratory					-
Laboratory Supervisor	1.00	1.00	1.00	-	1.00
Water Quality Analysts	4.00	4.00	4.00	-	4.00
Water Resources					
Water Resource Manager	1.00	1.00	1.00	-	1.00
Water Rights Administrator	1.00	1.00	1.00	-	1.00
Water Resources Analyst	1.00	1.00	1.00	-	1.00
Water Facility Caretaker	0.20	0.20	0.20	-	0.20
Water Efficiency Coordinator	1.00	1.00	1.00	-	1.00

	2025 Actual	2026 FTEs	2027 FTEs	Shared Staff	Total FTEs
Public Works					
Director - Public Works*	*	-	0.00	0.50	0.50
Project Manager	-	0.00	1.00	-	1.00
Project Engineer	2.00	2.00	1.00	-	1.00
Utility Inspector	1.00	1.00	1.00	-	1.00
GIS Supervisor	1.00	1.00	1.00	-	1.00
GIS Program Analyst	1.00	1.00	1.00	-	1.00
Office Management and Business Support	**	1.00	1.00	(0.50)	0.50
Office Management and Business Support**	*	2.00	2.00	(1.00)	1.00
Building Maintenance	1.00	1.00	1.00	-	1.00
Contract Administrator*	*	-	0.00	0.50	0.50
General Management					-
General Manager	1.00	1.00	1.00	-	1.00
Executive Assistant	1.00	1.00	1.00	-	1.00
Communications Manager	1.00	1.00	1.00	-	1.00
Digital Communications Specialist	1.00	1.00	1.00	-	1.00
Director of Human Resources*	*	-	-	0.50	0.50
Human Resources Coordinators*	*	-	-	1.50	1.50
Payroll**	**	1.50	1.50	(0.50)	1.00
Finance					-
Director of Finance & Administration*	*	-	0.00	0.50	0.50
Revenue and Asset Manager**	**	1.00	1.00	(0.50)	0.50
Financial and Budgeting Analysis Manager**	**	1.00	1.00	(0.50)	0.50
Accounting Manager**	**	1.00	1.00	(0.50)	0.50
Accountant I**	**	1.00	1.00	(0.50)	0.50
Accounts Payable**	**	1.00	1.00	(0.50)	0.50
Accounting Assistant	1.00	2.00	2.00	(0.50)	1.50
Customer Service					-
Utility Billing Supervisor	1.00	1.00	1.00	-	1.00
Utility Billing	3.00	3.00	3.00	-	3.00
Total Regular Employees	**88.20**	**100.70**	**99.70**	**(1.50)**	**98.20**

*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

	2025 Actual	2026 Budget	2026 Projected	2027 Base	Budget Requests One-Time	Budget Requests On-Going	Budget Requests Offset	2027 Proposed	Variance to 2025 Actual	Variance to 2026 Projected
Water Operations										
600 Surface Water	$ 5,327,842	$ 5,574,795	$ 4,532,659	$ 5,818,400	$ -	$ -	$ -	$ 5,818,400	9.2%	28.4%
602 Wells	1,534,446	1,559,755	2,115,000	1,705,000	-	-	-	1,705,000	11.1%	-19.4%
610 Groundwater	304,758	256,000	352,000	260,500	-	-	-	260,500	-14.5%	-26.0%
620 Pumps	2,407,035	2,270,850	1,930,301	2,457,042	-	-	-	2,457,042	2.1%	27.3%
630 Distribution	22,768	83,500	53,500	83,500	-	-	-	83,500	266.7%	56.1%
640 JBWTP Ops	4,223,366	5,661,035	5,053,576	5,562,055	-	-	-	5,562,055	31.7%	10.1%
650 JBWTP Maint.	1,460,875	1,428,070	1,495,300	1,487,900	-	-	-	1,487,900	1.8%	-0.5%
664 Water Meters	1,760,577	1,099,485	362,000	1,161,895	-	443,700	-	1,605,595	-8.8%	343.5%
671 Transmission	2,949,105	2,650,510	3,027,704	2,930,204	-	-	-	2,930,204	-0.6%	-3.2%
Total Water Operations	19,990,772	20,584,000	18,922,040	21,466,496	-	443,700	-	21,910,196	9.6%	15.8%
Wastewater Operations										
711 Collections	964,387	1,012,430	1,006,051	1,062,751	-	-	-	1,062,751	10.2%	5.6%
720 MGWWTP Ops	4,477,752	4,640,320	4,626,914	5,037,070	-	-	-	5,037,070	12.5%	8.9%
730 MGWWTP Maint.	2,209,841	1,906,860	1,912,860	1,862,960	-	-	-	1,862,960	-15.7%	-2.6%
740 Lift Stations	392,652	327,000	439,000	364,000	-	-	-	364,000	-7.3%	-17.1%
Total Wastewater Operations	8,044,632	7,886,610	7,984,825	8,326,781	-	-	-	8,326,781	3.5%	4.3%

	2025 Actual	2026 Budget	2026 Projected	2027 Base	Budget Requests One-Time	Budget Requests On-Going	Budget Requests Offset	2027 Proposed	Variance to 2025 Actual	Variance to 2026 Projected
Technical										
805 Water Resrouces	1,469,194	1,600,865	1,657,652	1,643,807	-	-	-	1,643,807	11.9%	-0.8%
810 Conservation	211,626	221,230	439,120	217,700	-	320,000	-	537,700	154.1%	22.4%
840 O&M Admin.	1,259,178	1,360,145	1,280,429	1,395,729	-	15,000	-	1,410,729	12.0%	10.2%
850 GIS	280,380	301,840	319,960	328,935	-	-	-	328,935	17.3%	2.8%
860 Lab	1,162,367	1,282,410	1,207,695	1,273,495	-	-	-	1,273,495	9.6%	5.4%
870 SCADA	1,665,282	1,550,230	1,836,668	1,693,518	-	-	-	1,693,518	1.7%	-7.8%
880 Engineering	799,246	1,033,745	876,933	1,034,358	-	-	-	1,034,358	29.4%	18.0%
893 Fleet	340,316	270,200	348,200	279,000	-	-	-	279,000	-18.0%	-19.9%
Total Technical	7,187,589	7,620,665	7,966,657	7,866,542	-	335,000	-	8,201,542	14.1%	2.9%
Administrative										
900 Directors	873,569	1,427,600	722,450	1,680,050	-	-	-	1,680,050	92.3%	132.5%
905 Communications	315,199	394,505	400,663	413,773	-	-	-	413,773	31.3%	3.3%
910 General Manager	387,978	420,300	414,771	422,071	-	-	-	422,071	8.8%	1.8%
920 Human Resources	485,448	572,500	573,652	642,402	-	-	-	642,402	32.3%	12.0%
930 Finance	1,412,630	1,140,210	1,021,690	1,206,040	-	-	-	1,206,040	-14.6%	18.0%
950 IT	530,197	520,140	457,875	493,046	-	-	-	493,046	-7.0%	7.7%
960 Customer Service	795,648	1,005,615	1,400,721	928,543	-	-	-	928,543	16.7%	-33.7%
970 Office Services	101,015	83,300	90,075	107,826	-	-	-	107,826	6.7%	19.7%
975 Admin. Building	259,699	392,395	390,812	348,112	167,000	-	-	515,112	98.3%	31.8%
980 Insurance	504,374	600,000	617,904	669,742	-	-	-	669,742	32.8%	8.4%
Total Administrative	5,665,757	6,556,565	6,090,613	6,911,605	167,000	-	-	7,078,605	24.9%	16.2%
Miscellaneous Capital	-	250,000	239,000	-	-	-	-	-	0.0%	0.0%
Total Costs by Activity	**$ 40,888,750**	**$ 42,897,840**	**$ 41,203,135**	**$ 44,571,424**	**$ 167,000**	**$ 778,700**	**$ -**	**$ 45,517,124**	11.3%	10.5%

Appendix 5
Operating Costs - By Expenditure Type

	2025 Actual	2026 Budget	2026 Projected	2027 Base	Budget Requests One-Time	Budget Requests On-Going	Budget Requests Offset	2027 Proposed	Variance to 2025 Actual	Variance to 2026 Projected
Staffing										
6111 Regular Wages	$ 8,760,100	$ 9,440,725	$ 9,329,700	$ 9,644,400	$ -	$ -	$ -	$ 9,644,400	10.1%	3.4%
6113 Temporary Wages	49,819	86,000	80,000	86,000	-	35,000	-	121,000	142.9%	51.3%
612* Overtime Wages	449,888	405,500	478,700	448,500	-	-	-	448,500	-0.3%	-6.3%
613* Staffing Expense	2,912,149	3,340,280	3,056,275	3,458,580	-	-	-	3,458,580	18.8%	13.2%
6182 Training	82,613	103,750	112,000	104,767	-	-	-	104,767	26.8%	-6.5%
6184 Uniforms	58,692	50,495	49,483	45,610	-	-	-	45,610	-22.3%	-7.8%
6191 Director Fees	10,900	9,600	9,600	9,600	-	-	-	9,600	-11.9%	0.0%
6195 Shared Staffing	553,670	589,120	564,590	616,400	-	-	-	616,400	11.3%	9.2%
Total Staffing	12,877,831	14,025,470	13,680,348	14,413,857	-	35,000	-	14,448,857	12.2%	5.6%
Contracted Services										
6352 Legal	1,189,492	1,820,000	1,198,500	2,017,000	-	-	-	2,017,000	69.6%	68.3%
6354 Audit	48,168	45,000	40,000	40,000	-	-	-	40,000	-17.0%	0.0%
6370 Elections	76,053	10,000	10,000	90,000	-	-	-	90,000	118.3%	800.0%
6368 Insurance	504,374	600,000	617,904	669,742	-	-	-	669,742	32.8%	8.4%
6550 Water Leases	5,158,724	5,351,065	4,420,259	5,600,000	-	-	-	5,600,000	8.6%	26.7%
Total Contracted Services	6,976,811	7,826,065	6,286,663	8,416,742	-	-	-	8,416,742	20.6%	33.9%
Materials & Supplies										
6222 Employee Relations	9,964	19,980	19,520	23,100	-	-	-	23,100	131.8%	18.3%
6223 Recruitment	1,218	5,500	5,500	7,000	-	-	-	7,000	474.7%	27.3%
6226 Safety	105,851	75,700	110,800	82,700	-	-	-	82,700	-21.9%	-25.4%
6229 Operating	584,017	494,690	619,185	570,699	-	-	-	570,699	-2.3%	-7.8%
6230 IT	132,912	133,110	105,000	154,030	-	-	-	154,030	15.9%	46.7%
6231 Software	-	-	-	203,850	-	-	-	203,850	100.0%	100.0%
6240 SCADA	407,667	295,000	333,000	315,000	-	-	-	315,000	-22.7%	-5.4%
6244 Repair	1,296,676	1,061,200	1,024,432	1,166,200	-	-	-	1,166,200	-10.1%	13.8%
6245 Meters	1,760,577	1,099,485	362,000	1,171,831	-	433,764	-	1,605,595	-8.8%	343.5%
6246 Fleet	26,482	40,000	30,000	40,000	-	-	-	40,000	51.0%	33.3%
Total Materials & Supplies	4,325,364	3,224,665	2,609,437	3,734,410	-	433,764	-	4,168,174	-3.6%	59.7%

	2025 Actual	2026 Budget	2026 Projected	2027 Base	Budget Requests One-Time	Budget Requests On-Going	Budget Requests Offset	2027 Proposed	Variance to 2025 Actual	Variance to 2026 Projected
Purchased Services										
6301 Bank Fees	575,871	83,610	680,400	230,400	-	-	-	230,400	-60.0%	-66.1%
6311 Postage	50,297	40,100	38,800	38,800	-	-	-	38,800	-22.9%	0.0%
6319 Communication	256,568	206,775	324,175	309,802	-	9,936	-	319,738	24.6%	-1.4%
6329 Printing	69,147	65,000	53,500	64,100	-	-	-	64,100	-7.3%	19.8%
6331 Memberships	112,250	113,765	118,105	212,611	-	-	-	212,611	89.4%	80.0%
6340 SCADA	295,273	191,500	500,000	282,000	-	-	-	282,000	-4.5%	-43.6%
6343 Equipment Rental	141,643	85,000	68,800	78,800	-	-	-	78,800	-44.4%	14.5%
6344 Repair	2,120,434	1,506,500	1,801,000	2,188,500	167,000	-	-	2,355,500	11.1%	30.8%
6347 Cleaning	64,034	73,200	76,200	60,810	-	-	-	60,810	-5.0%	-20.2%
6348 Maintenance	121,398	225,500	101,000	223,885	-	-	-	223,885	84.4%	121.7%
6349 Landfill	137,874	135,200	143,200	150,700	-	-	-	150,700	9.3%	5.2%
6351 Building Rental	-	-	27,975	40,826	-	-	-	40,826	100.0%	45.9%
6353 Permits and Fees	-	-	-	40,000	-	-	-	40,000	100.0%	100.0%
6363 Lab	289,076	279,000	264,000	279,000	-	-	-	279,000	-3.5%	5.7%
6355 Professional	1,400,232	1,672,375	1,559,575	1,642,801	-	-	-	1,642,801	17.3%	5.3%
6367 Contract Services	434,924	575,000	398,490	563,000	-	10,000	-	573,000	31.7%	43.8%
6369 Miscellaneous	1,289,040	1,344,335	1,221,180	62,435	-	-	-	62,435	-95.2%	-94.9%
6372 Conferences	25,497	54,400	38,200	74,700	-	-	-	74,700	193.0%	95.5%
6380 Conservation	112,813	111,500	340,000	110,000	-	290,000	-	400,000	254.6%	17.6%
6389 Shared Overhead	42,384	112,190	81,770	85,500	-	-	-	85,500	101.7%	4.6%
Total Purchased Services	7,538,755	6,874,950	7,836,370	6,738,670	167,000	309,936	-	7,215,606	-4.3%	-7.9%
Chemicals & Fuel		286,844								
6271 Fuel	202,113	140,000	200,000	140,000	-	-	-	140,000	-30.7%	-30.0%
6281 Chemicals	5,316,051	6,699,585	6,199,516	6,981,203	-	-	-	6,981,203	31.3%	12.6%
Total Chemicals & Fuel	5,518,164	6,839,585	6,399,516	7,121,203	-	-	-	7,121,203	29.1%	11.3%
Utilities										
6391 Electricity	3,486,739	3,669,105	4,003,801	3,958,542	-	-	-	3,958,542	13.5%	-1.1%
6392 Water/Sewer	58,757	37,000	37,000	57,000	-	-	-	57,000	-3.0%	54.1%
6394 Natural Gas	106,329	151,000	111,000	131,000	-	-	-	131,000	23.2%	18.0%
Total Utilities	3,651,825	3,857,105	4,151,801	4,146,542	-	-	-	4,146,542	13.5%	-0.1%
Miscellaneous Capital	-	250,000	239,000	-	-	-	-	-	0.0%	-100.0%
Total Uses of Funds by Type	**$ 40,888,750**	**$ 42,897,840**	**$ 41,203,135**	**$ 44,571,424**	**$167,000**	**$778,700**	**$ -**	**$ 45,517,124**	**11.3%**	**10.5%**

Appendix 6
Water and Wastewater Services Agreement Exhibit B

Reserved Capacity Cost for Nondeveloped Non Residential		
Total Number of Acres Platted		1,173.208
Total Number of Acres Service Not Requested		(126.258)
Less total acres placed in service		(1,024.096)
Total reminaing acres with requested service		22.854
No. of taps at two 3/4" per undeveloped acre		46
Capacity Fee per Nonresidential 3/4" tap	$	9,650
Estimated Reserved Capacity Cost Undeveloped Remaining	**$**	**443,900**
Reserved Capacity Cost for Undeveloped Single Family Residential		
Total Number of Dwelling Units Platted		29,305
Total Number of Dwelling Units - Service not requested		0
Less Total Number of dwelling units placed in service		(29,305)
No. of remaining Single Family Residential taps		0
Capacity Fee per Single Family Residential 3/4" tap	$	5,960
Estimated Reserved Capacity Cost Undeveloped Remaining	**$**	**-**
Reserved Capacity Cost for Undeveloped Multi Family Residential		
Total Number of Dwelling Units Platted		8,964
Total Number of Dwelling Units - Service not requested		0
Less Total Number of dwelling units placed in service		(8,723)
No. of remaining Multi-Family Residential taps		241
Capacity Fee per Multi-Family Residential 3/4" tap	$	3,780
Estimated Reserved Capacity Cost Undeveloped Remaining	**$**	**910,980**

Calculation of Reserved Capacity Payments Due		
Remaining		
Nonresidential	$	443,900
Single Family		-
Multi Family		910,980
Total remaining payments due		1,354,880
Collected thru 9/30/2026		
Metro 1		37,220,492
Metro 2		42,377,431
Metro 3		40,661,354
Metro 4		41,791,224
Consolidated		43,550,008
Total payments collected		205,600,509
Total reserved capacity costs	**$**	**206,955,389**

Reserved Capacity Payments Made to Date		
As of 12/31/26 per HRW general ledger	$	(205,499,823)
Present value discount on 1992 Metro 1 payment		(353,665)
4/01/2026 Payment		(450,260)
Total reserved capacity payments made to date	**$**	**(206,303,748)**

Total Due		
Total reserved capacity cost		206,955,389
Less payments made to date		(206,303,748)
Total Due	**$**	**651,641**

Payment Due April 1,	Collected in Excess of Amount Paid	Minimum	40% of Total Due + Excess	Total Minimum + 40% of Excess	Cumulative
2027		$ 100,000	$ 260,656	$ 360,656	$ 360,656
2028		$ 100,000	$ 116,394	$ 216,394	$ 577,050
2029		$ 100,000	$ 29,836	$ 129,836	$ 706,887
2030		$ 100,000	$ (22,098)	$ 77,902	$ 784,788
2031		$ 100,000	$ (53,259)	$ 46,741	$ 831,529
2032		$ 100,000	$ (71,955)	$ 28,045	$ 859,574

Appendix 7
2027 Proposed Water and Wastewater Rates

Water Budget	2026 Residential Summer	2026 Residential Winter (non-irrigation)	2026 Non-Residential & Multi-Family Indoor Only	2026 Non-Residential & Multi-Family Irrigation Only	2027 Residential Summer	2027 Residential Winter (non-irrigation)	2027 Non-Residential & Multi-Family Indoor Only	2027 Non-Residential & Multi-Family Irrigation Only
	Metered Water Consumption (per 1,000 Gallons)				**Metered Water Consumption (per 1,000 Gallons)**			
up to 100%	$ 5.69	$ 5.69	$ 4.93	$ 6.04	$ 5.98	$ 5.98	$ 5.18	$ 6.40
101% to 120%	$ 7.66	$ 7.66	$ 6.67	$ 8.19	$ 8.04	$ 8.04	$ 7.00	$ 8.68
121% to 140%	$ 11.63	$ 7.66	$ 6.67	$ 14.23	$ 12.21	$ 8.04	$ 7.00	$ 15.08
140% and over	$ 17.59	$ 12.67	$ 11.59	$ 24.15	$ 18.47	$ 13.30	$ 12.17	$ 25.60
	Drought Rates - Stage 1**				Drought Rates - Stage 1**			
up to 100%	$ 5.69	N/A	N/A	$ 6.04	$ 5.98	N/A	N/A	$ 6.40
101% to 120%	$ 9.58	N/A	N/A	$ 10.24	$ 10.06	N/A	N/A	$ 10.85
121% to 140%	$ 14.54	N/A	N/A	$ 17.79	$ 15.27	N/A	N/A	$ 18.86
140% and over	$ 17.59	N/A	N/A	$ 24.15	$ 18.47	N/A	N/A	$ 25.60
	Drought Rates - Stage 2**				Drought Rates - Stage 2**			
up to 100%	$ 5.69	N/A	N/A	$ 6.04	$ 5.98	N/A	N/A	$ 6.40
101% to 120%	$ 11.49	N/A	N/A	$ 12.29	$ 12.07	N/A	N/A	$ 13.02
121% to 140%	$ 17.45	N/A	N/A	$ 21.35	$ 18.32	N/A	N/A	$ 22.63
140% and over	$ 17.59	N/A	N/A	$ 24.15	$ 18.47	N/A	N/A	$ 25.60

2026 Water Service Availability Fee		2027 Water Service Availability Fee	
Residential - Single Family (bi-monthly)	$ 42.56	Residential - Single Family (bi-monthly)	$ 45.11
Residential - Multi Family (monthly)	$ 13.19	Residential - Multi Family (monthly)	$ 13.98
Nonresidential per 3/4" equivalent (monthly)	$ 21.28	Nonresidential per 3/4" equivalent (monthly)	$ 22.56

2026 Wastewater Fees		2027 Wastewater Fees	
Residential - Single Family***		Residential - Single Family***	
Fixed fee (bi-monthly)	$ 33.22	Fixed fee (bi-monthly)	$ 34.88
Minimum charge -Fixed fee plus		Minimum charge -Fixed fee plus	
3,000 gallons Use	$ 48.46	3,000 gallons Use	$ 50.90
Use - winter time average (per 1,000 gallons)	$ 5.08	Use - winter time average (per 1,000 gallons)	$ 5.34
Residential - Multi Family (per unit)***		Residential - Multi Family (per unit)***	
Fixed fee (monthly)	$ 16.61	Fixed fee (monthly)	$ 17.44
Minimum charge -Fixed fee plus		Minimum charge -Fixed fee plus	
1,500 gallons use	$ 24.23	1,500 gallons use	$ 25.45
Use - winter time average (per 1,000 gallons)	$ 5.08	Use - winter time average (per 1,000 gallons)	$ 5.34
Nonresidential		Nonresidential	
Fixed fee per 3/4" equiv. tap size (monthly)	$ 16.61	Fixed fee per 3/4" equiv. tap size (monthly)	$ 17.44
Rate * 80% water consumed (per 1,000 gallons)	$ 5.08	Rate * 80% water consumed (per 1,000 gallons)	$ 5.34

2026 Infrastructure Improvement Fee		2027 Infrastructure Improvement Fee	
Residential - Single Family (bi-monthly)	$ 19.50	Residential - Single Family (bi-monthly)	$ 22.42
Residential - Multi Family (monthly)	$ 9.75	Residential - Multi Family (monthly)	$ 11.21
Irrigation - Per Tap	$ 9.75	Irrigation - Per Tap	$ 11.21
Nonresidential per 3/4" equivalent (monthly)	$ 9.75	Nonresidential per 3/4" equivalent (monthly)	$ 11.21