

BUDGET MESSAGE

JANUARY 1, 2010 THROUGH DECEMBER 31, 2010

INTRODUCTION

This budget reflects the estimated revenues and cash requirements for the coming year and the District's continued commitment to cost containment while continuing to provide service to our entire community now and in the future, both economically and without interruption.

THE DISTRICT

Local Government. Parker Water and Sanitation District (PWSD) is a quasi-municipal corporation and political subdivision of the state, established in 1962 under the laws of the State of Colorado Special District Act as a title 32 Special District. The District was organized for the purpose of providing water and wastewater utilities to the customers of the District.

Location. The District Office is located at 19801 E Mainstreet, Parker, CO 80138. Official business hours are from 7:30 a.m. to 4:30 p.m., Monday through Friday, except for holidays. The District Office phone number is 303-841-4627. Please visit the District's website at www.pwsd.org for more information about the District.

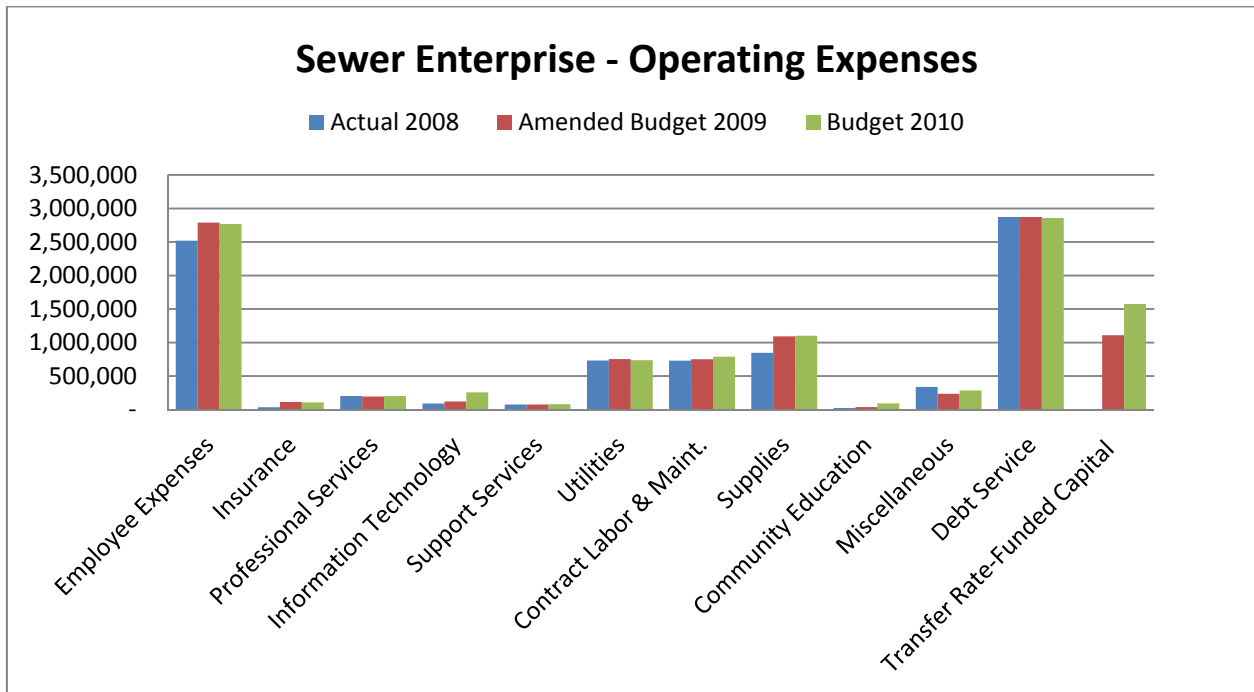
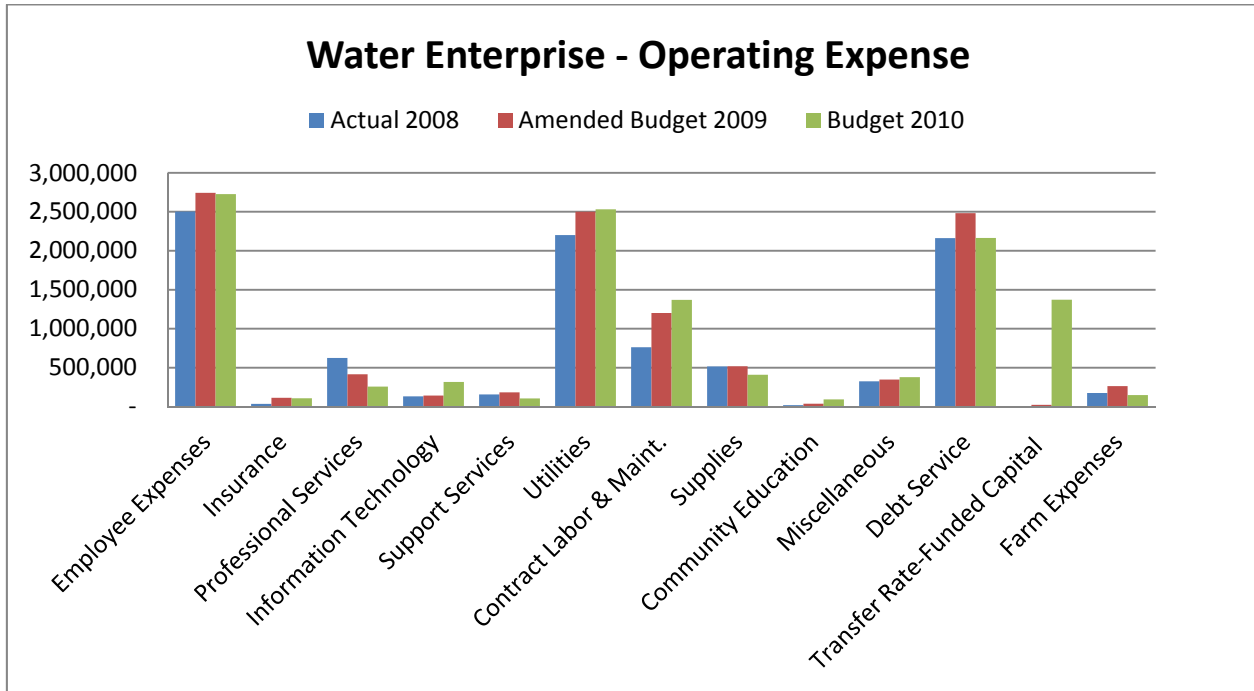
Service Area. The District's service area is the total area the District may legally serve without further inclusions or agreements. The District has 20,924 acres within its current boundary area and 27,599 acres within its current service area. The District's boundary area represents the extent of its inclusions, while the service area reflects additional service agreements for area outside its boundary. PWSD's service area includes portions of the Town of Parker, City of Lone Tree, and portions of Douglas County. The District serves a population of approximately 45,000.

Services of the District. The District owns and maintains its water distribution system and wastewater collection system. At this time, 100 percent of the District's raw water is from the ground, either in deep Denver Basin aquifers or the Cherry Creek alluvium. PWSD provides approximately 3 million gallons of water a day (mgd) in the winter and 13 mgd in the summer to its customers. Water service is provided to existing developed areas through a system of wells, storage tanks, booster stations, and transmission mains. The District maintains approximately 268 miles of water pipelines. Wastewater generated within the District is collected by a network of sanitary sewers, outfalls, and interceptors to transport the wastewater to one of two District water reclamation facilities. The District maintains approximately 198 miles of wastewater pipelines.

Board of Directors. A five-member Board of Directors governs the District. The Directors set the policies for operations of water and wastewater systems and the general government. The Directors are elected to four-year terms. Regular meetings of the Board of Directors are held on the second and fourth Thursdays of each month. In accordance with the State Budget Law, the District's Board of Directors holds a public hearing in the fall each year to approve the budget and appropriate the funds for the ensuing year. An appropriation is the legal spending limit authorizing the expenditure set forth in the budget by the governing board. The budget is merely a fiscal plan for the coming year, while the appropriation is the legal authority to spend that money.

Financial. While the District’s records are maintained on the accrual basis of accounting, the annual budget is prepared using the modified accrual basis of accounting. The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

Operating revenues and expenses generally result from providing services in connection with the District’s purpose of providing water and sanitation services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service and administrative expenses.



2009 Rate Study. Historically, PWSD has relied on groundwater pumped from the Denver Basin aquifers to supply water to customers in its service area. However, the production from wells is decreasing. Wells that previously produced water at a rate of 1,000 gallons per minute (gpm) are now producing water at a rate of 600 gpm. Even without additional growth, production will continue to decline, making water supplies unreliable, inefficient, and costly. Therefore, the District must move from this less reliable groundwater source to surface water, which is a renewable water supply. PWSD and its Board of Directors recognized the need for renewable water sources more than 27 years ago and have taken the visionary step of beginning construction on the Rueter-Hess Reservoir. In 2004, voters overwhelmingly supported the construction of the Rueter-Hess Reservoir, which was to be funded from tap fees and rates so long as those sources were available to the District. Voters also approved using a mill levy to pay for Rueter-Hess debt service if tap fees and revenue from rates were not available. Rueter-Hess Reservoir will impound 72,000 gross acre feet of water, of which 36,000 acre feet is exclusively dedicated to supply the needs of PWSD and will support up to 115,000 residents and businesses.

PWSD has not had a rate increase since 2005. In December 2008, the Board approved a 28 percent water and sewer rate increase, as well as an increase in tap fees. This action was met with criticism from PWSD customers, causing the Board to reconsider. Ultimately, the Board decided to delay any increase with three provisions:

1. Hire a nationally recognized consultant to conduct a formal rate and tap fee study
2. Delay implementation of all new proposed fees until the rate and fee study is complete.
3. Form a community working group to work with the rate and fee study consultant and PWSD staff, and provide community input related to the consultant's recommendations.

PWSD Board and staff convened the Community Working Group (CWG) to ensure community representatives were involved in the development of recommended actions related to rates and fees. The CWG was composed of 10 members representing neighborhoods and organizations in the PWSD community. Over the course of five months, CWG members participated in nine regularly scheduled meetings including an informational tour of PWSD's water and sanitation facilities. Each meeting included presentations related to the rate and fee study, and provided time for members to ask questions and provide input to the staff and consulting team as the study moved forward. There was also an opportunity for public comment at every meeting.

The principal role of CWG members was to become familiar with and knowledgeable about water resources, demands for water and water distribution, as well as sewage treatment and disposal, and the production of recycled water in the District. In addition, members were asked to become knowledgeable about how water and wastewater operations, and capital improvements were financed. The CWG also developed a list of community values related to water and sewage service in Parker to be used by the rate consultant, suggested refinements to the evaluation criteria developed by the rate consultant, and evaluated specific rate and fee recommendations.

The District set the following objectives for the rate and tap fee study:

1. Update the District's water and wastewater tap fees to ensure that they are fair and equitable, and avoid subsidizing either growth or existing customers;
2. Incorporate the use of long-term debt into the District's financial plan to better manage its water and wastewater rates;

3. Update the water and wastewater rates to recover the District's current and future revenue requirements; and
4. Estimate the impacts that conservation-oriented water rates have on the District's customers

The following tasks were performed by the rate consultant as part of the water and wastewater rate and fee analyses:

1. Determined tap fees for the District's water and wastewater utility;
2. Prepared a long-term forecast of costs for the District's water and wastewater utilities. This long-term forecast included projections of O&M costs, capital expenditures and repairs and replacements. These costs are offset by the use of reserves, bond proceeds, and other non-rate revenues;
3. Prepared cost-of-service analyses for the District's water and wastewater utilities;
4. Prepared conservation-based rates to ensure customers with large summer peaks in water demand pay their proportionate share of the water utility's costs; and
5. Presented the results to the District's Board

2009 Rate Study - Key Recommendations. The recommendations listed below gained general support from a majority of CWG members.

1. Conduct an annual rate and fee review and adjustments.
2. Implement an inclining five-block rate structure.
3. Utilize property taxes to finance Rueter-Hess debt service.
4. Use the hydraulic capacity method to determine tap fees.
5. Use Replacement Cost New Less Depreciation to measure the value of existing assets.
6. Wastewater charges should be a blend of fixed and volume charges.

While the work of the CWG is reflected in the rate study model as well as the proposed budget, additional work remains to be done. Additional input and discussion from the CWG was suggested relative to the tier rate structure and any changes that might be implemented in the rate structure due to the potential impacts upon Home Owner Associations. Furthermore, the CWG recommended that more work was needed on conservation measures and education. Over the next year, the District intends to continue looking at the tier rate structure and its ties to conservation as well as the fiscal impacts on the District.

Inquiries regarding the 2010 Budget. Please direct all inquiries regarding the Parker Water and Sanitation District 2010 budget to:

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19801 E. Mainstreet
Parker, CO 80138
Phone: 303-841-4627

For more information about the District, including the 2010 budget, go to www.pwsd.org.