

PARKER WATER AND SANITATION DISTRICT

NOTES TO THE 2010 OPERATING BUDGET

OPERATING BUDGET

BEGINNING CASH

Beginning Cash is comprised of the estimated restricted and unrestricted cash balances as of January 1, 2010. The restricted cash is for debt service, contract contingency, and an employee accrued sick/vacation fund. Restricted cash is not considered for spending in the operating budget.

OPERATING REVENUE

WATER USER FEES

Water customer rates have remained unchanged since 2005. While recognizing the pressure of increasing costs, the District commissioned a professional rate consulting firm to provide a model that would modify rates. The water rate increases 14.2% in 2010.

SEWER USER FEES

Sewer customer rates have remained unchanged since 2006. While recognizing the pressure of increasing costs, the District commissioned a professional rate consulting firm to provide a model that would modify rates. The sewer rate increases 28.1% in 2010.

RAW WATER REVENUES

The raw water revenues are based on Canterbury Golf Course's estimated 2009 consumption, which is well below normal due to the wet weather. The estimated rate of \$2.14/1000 gallons is used in computing the revenue. The actual 2010 raw water rate will not be available until late in 2009.

OPERATING TAXES (Sewer Enterprise only)

The sewer enterprise's operating taxes are based on the District's assessed valuation of \$495,303,890, the 5.5% revenue increase allowed by law, a 1.939 mill levy, and 1.5% county treasurer's fee. This is an operating mill levy only. The General Obligation debt (Rueter Hess) mill levy is found in the Capital budget.

SOT (Sewer Enterprise only)

The sewer enterprise receives the Specific Ownership Taxes, which are collected with car registration fees and distributed by the county treasurer. The budget is estimated according to the annualized 2009 SOT.

PILT (Sewer Enterprise only)

Payment in Lieu of Taxes is in accordance with the Stroh Ranch Service Agreement. PILT is computed using Cherry Creek South Metro Districts' combined assessed valuations of \$43,226,380 and Parker Water and Sanitation District's 2010 operating mill levy of 1.939 mills less the 1.5% county treasurer's fees.

METER INSTALLATION (Water Enterprise only)

The cost of a meter plus District overhead is paid by the contractor at the time tap fees are paid. This budget is based on 50 residential meter installations plus meter resets, and commercial meter installations.

SUSPENSION FEES

An eighty dollar fee is added to accounts when service is suspended for nonpayment. The fee is split between water and sewer. The 2010 budget is based on the fees collected to July 31,2009 plus an average of 80 suspensions per month for the remainder of the year.

INSPECTION FEES

Ninety dollar water and sewer inspection fees are charged on residential construction only. Commercial inspection fees are included in the capital budget's engineering fees. The residential inspection fees are collected along with the tap fees and divided between water and sewer.

INTEREST INCOME

Banks, COLOTRUST and securities comprise the sources of investment income, which is based on current rates paid by the particular investments.

OTHER INCOME

This account is for miscellaneous income received during the year including administrative fees associated with the collection of Town of Parker stormwater fees, fines for illegal water use, miscellaneous water testing fees, and the IREA annual refund credit.

FARM INCOME

Land Leases and Rental Income

The District owns agricultural property, which is under crop and pasture lease agreements. The crops grown on the land enable the District to maximize water use. The 2010 budgeted revenues are increased due to the addition of a farming lease on the Lock property along with rental income from two houses on the property. Revenues generated by the leases are used to maintain the properties.

OPERATING EXPENSES

SALARIES

The 2010 salaries budget covers the current full time positions with no new positions being added. Other than slight increases for a few certification upgrades, no salary increases are included in the budget. All District positions are paid according to Mountain States Employers Council's salary surveys. The cost of employee overtime pay is reduced 30% from the 2009 budget. The budget is based on actual values for full staffing the entire year. This line item includes \$175,000 for the Manager's contract, which is maintained in a separate account.

RETIREMENT PLAN

In lieu of Social Security contributions, the District and employees contribute to an IRS approved 401A Plan. The District contributes 10% of gross salaries to the 401A Plan and the permanent full time employees contribute 9% to the plan. The 401A portion of the budget is based on the 2010 budgeted payroll.

Also in this budget line is the District's contribution to the voluntary 457 plan. The District's match is 5% of the participant's compensation or, if less, an amount equal to the employee's contribution. The budgeted 457 match is estimated using the employees current contributions.

EMPLOYEE INSURANCE

Medical & Dental

Health care insurance is purchased through the Special Districts Association's agreement with Colorado Employees Benefit Trust (CEBT). The District contains health care costs by using this large group program as well as the District's choice of a high deductible plan. The District provides a basic dental plan. The budget is based on the current actual costs for these plans plus an allowance for a small premium increase. The IRS approved Health Reimbursement Arrangement (HRA) provided by the District will not continue in 2010.

Medicare Insurance

Employees and Board members pay 1.45% of gross wages and the District pays 1.45% as required by law.

FICA

District part time employees do not participate in the 401A Plan; therefore, those employees are required by law to contribute 6.2% of gross wages and the District is required to contribute a like amount to FICA. The District also contributes for the Board of Directors.

State Unemployment Insurance

The District pays .3% of gross wages into the state unemployment insurance fund.

MISCELLANEOUS EMPLOYEE BENEFITS

This line item includes costs to reimburse employees in approved educational programs. The District has a philosophy of promoting education and training to develop its employees and improve their skill levels through job related courses and degree work. Education programs are reviewed for relevancy to the employee's career with Parker Water. There are currently 12 employees engaged in degree programs. This line item also includes a clothing allowance, in lieu of providing uniforms, and Parker Recreation Center memberships.

INSURANCE

WORKERS COMPENSATION

The 2010 workers compensation insurance premium is based primarily on the 2010 estimated payroll and the current rate factor associated with each class of employee. The District's workers compensation premium is reduced through the District's Safety Program, utilizing a designated provider, a cost containment certification, and staff management of the program instead of an insurance agent

LIABILITY/PERSONAL PROPERTY

The insurance budget line is based on actual 2009 premiums. In order to minimize insurance expenses, the District takes advantage of many pricing discounts available such as deductibles, warranting the sewer maintenance, a long history of Insurance Pool membership, and carrying both workers compensation insurance, property and liability insurance with the Pool. A small amount is included in this line item for the cost of 2010 deductibles plus 2009 claims experience.

PROFESSIONAL SERVICES

FINANCIAL

This item covers the cost of the annual audit and financial consulting fees. The budget is based on historical expenses.

GENERAL LEGAL

Costs reflected for general legal do not include projected costs of professional services incorporated within the capital projects budget. Anticipated 2010 general counsel legal fees include Board and staff meetings, individual development issues, administrative issues and unanticipated issues.

SPECIALIZED LEGAL

Specialized legal is provided by Jackson Kelly (Ronda Sanquist) for permitting of water and wastewater facilities, monitoring activities within the Cherry Creek Basin and monitoring permitting requirements at the State level.

WATER LEGAL

Costs reflected for general water legal services do not include projected costs of professional services incorporated within the capital projects budget.

Anticipated 2010 water legal fees include water court cases filed by others, water rights adjudication, supplemental proceedings and general issues.

GENERAL ENGINEERING

The District's engineering department is responsible for civil engineering related to plan review and District wide planning. Occasionally engineering consultants are hired for technical advice outside the realm of the engineering department's expertise.

HYDROLOGY

Costs reflected for general hydrological services do not include projected costs of professional services incorporated within the capital projects budget.

The anticipated 2009 hydrological fees are associated with evaluating water level data to assess the need for pump lowering, conducting annual step tests, assisting with updating the District's Denver Basin well field adjudications, assisting with augmentation plan accounting, assessing well and water quality problems, and attending staff and board meetings.

OPERATIONS CONSULTING

This line item covers the cost for specialized operations centered consulting for the water and wastewater systems and regulations impacting those systems. The consulting includes advice and technical assistance from engineers, legal and regulatory personnel. The wastewater budget allows for consulting for the District's NPDES permit 2009/2010 renewal.

INFORMATION TECHNOLOGIES

SCADA SYSTEM

SCADA (Supervisory Control and Data Acquisition) provides operator interface to instrumentation and controls. Operator access to emergency alarms and current well and plant settings is achieved through the SCADA system. This line item pays for the maintenance, replacement and repair of all remote system radio communications in well houses, booster stations, etc. Expenditures included in this budget are replacement of seven Remote Telemetry Units (RTU's), twelve HT+ Radios, radio components such as antennas, poly phasers, and ethernet switches; rewiring a master alarm panel, stock components such as digital and analog input and output cards, batteries and miscellaneous wire crimps, fuses and breakers. The SCADA System is essential to operations.

COMMUNICATIONS

The communication account is made up of fixed monthly service charges. Charges include cell phone, Blackberry, telephone, long distance, internet, high speed lines between the District office and Reclamation Plants, answering service, pagers, plus accessories (cell phone batteries, holders, chargers).

COMPUTERS & RELATED HARDWARE

The Computers and Related Hardware account is split between water and wastewater enterprises. The account pays for computers, servers, network/routing gear, peripherals and supplies related directly to IT computers and infrastructure. The informal policy has been to replace workstations and servers on a 3-5 year basis. After 3 years components become difficult to obtain. The budget includes laptops and new projectors for the NWRP conference room.

SOFTWARE AND LICENSING

The Software and Licensing account pays for the annual service, support and upgrade for existing software packages used within the District. Microsoft licensing includes \$20,000 annual costs for server operating systems. Also included are the costs for data backup software, anti-virus software, accounting software, HR software, engineering software and maintenance and laboratory software suites. The annual maintenance cost for new software is generally 10-15% of the original software purchase price. New laboratory management software, an upgrade for engineering's ArcGIS software (to integrate the asset management information) and the cost associated with existing software licensing and upgrades are included in this budget.

THIRD PARTY COMPUTER SUPPORT

This budget is an emergency backup fund to handle programming outside of IT expertise. The budget is used to handle the web development and maintenance of the District website. The budget also includes web hosting for the electronic customer bills and programming support for the Data West billing software.

SUPPORT SERVICES

BILLING OUTSOURCE

This budget covers the fees associated with the District's billing E-Bill, E-Pay and credit card programs along with the printing, stationery and postage for the mail statements. The budget is based on actual costs including an anticipated 4% postage increase for mailed statements.

OUTSIDE LABORATORY SERVICES

Water - This line item pays for the cost of having the water system tested for those Safe Drinking Water Act analytes that the PWSD laboratory either does not have the equipment or expertise to perform. The budget is calculated using historical spending and calculation of the 2010 testing requirements.

Wastewater - This budget pays for all outside laboratory wastewater testing which is required for analytes that the PWSD laboratory either does not have the equipment or expertise to perform. The budget is based on historical spending and calculation of next year's testing requirements.

REFUSE REMOVAL

This item includes the cost of refuse removal District wide. It also includes recycling, grit disposal, and roll off dumpsters. The budget is based on historical costs.

SECURITY

This budget covers the cost of a fence replacement, contract security monitoring, industrial grade locks, electric gate repairs, fence repairs and other miscellaneous security needs.

UTILITIES

XCEL ENERGY

This budget covers the cost for natural gas heating at the water reclamation plants, administration buildings, and diversion structure. A small amount of money is budgeted to refill the propane tank at District Services workshop that is not hooked into natural gas. The District now has two sites that use sufficient natural gas to make the use of deregulated, index priced gas viable. Historical usage models indicate the savings from this change may offset any projected increases in prices and result in a net savings. The District has reduced natural gas consumption which will offset the expected higher natural gas prices in 2010. Further information from the Energy Information Administration (Official Energy Statistics from the US Government) is available upon request.

IREA

Water - The IREA budget covers the cost for electricity at all District well facilities, the diversion station and booster stations. The budget is calculated using historical data plus the published 2010 IREA rate increase. The District has begun utilizing information gained from Integra Engineering's wellfield power usage study to economize the cost of power. The District has also convened an operating group that examines well optimization on a weekly and sometimes daily basis during the summer water demand season to determine priority start/stop set points.

IREA

Wastewater - This covers the cost for electricity at the wastewater treatment plants, administration buildings, lift stations and the Bar CCC pump station. Since the wastewater electrical usage is more consistent than the water system, the budget is calculated using actual 2008 expenditures plus the published 2010 IREA rate increase.

CONTRACT LABOR AND MAINTENANCE

GENERAL CONTRACT LABOR

The general contract labor budget is used by three departments to satisfy the District's need for specialized or extensive contract repairs.

The water resources department uses the line item for repairs and maintenance on the large water storage tanks, repairs and cleaning of the District's water production wells; force main repair, filter rehabilitation, and vacuum truck services.

GENERAL CONTRACT LABOR (continued)

The maintenance department is the largest user of this account. Both the mechanical portion and the electrical trades of the maintenance department use general contract labor for pump repair, VFD repair, transducer pulling and repair, some air conditioning repair, some specialized motor repair and electrical motor rewinding.

District Services have a very limited amount of general contract labor and the money is used for things such as towing services.

BIOSOLIDS HANDLING (wastewater enterprise)

This line item covers the removal and beneficial application of biosolids to agricultural fields. The budget is based on 2009 expenses which are reduced from prior years due to improvements in operator performance and the construction of the DAFT at the south plant.

COLLECTION SYSTEM I/I STUDY (wastewater enterprise)

This line item pays for the continuing Infiltration and Inflow (I/I) study with Integra Engineering and for the cost of rehabilitation of manholes that leak within the District. The line item may also be used to pay for older connections to the system that require repair. The cost of this program is partially offset by the reduction in treatment costs at the wastewater treatment plants and the extension of time prior to expansion of the treatment plants.

LINE MAINTENANCE and REPAIR (water enterprise)

This budget covers the repair and minor replacement of water distribution lines including emergency actions. It also includes such items as PRV vaults, blow-offs, valves, and high point air release/vacuum breakers. The repair of damaged infrastructure found during the valve exercising project is also included. The budget is based on historical expenses over and planned repairs.

COLLECTION SYSTEM MAINTENANCE & REPAIR (wastewater enterprise)

This budget encompasses the cost to jet clean and televise 1/3 of the District along with emergency cleaning and repairs; and lift station cleaning. Cleaning 1/3 of the District's lines per year entitles the District to a premium discount for sewer backup liability. The budget is based on actual linear footage to be cleaned during 2010.

EQUIPMENT REPAIR/REPLACEMENT

Equipment Repair and Replacement budget is used by five departments to provide funding to repair or replace either small dollar equipment as in the case of District Services where a weed sprayer may be replaced or a large dollar piece of equipment being replaced by maintenance. A large dollar piece of equipment may be an electric motor on a sewage pump or replacing a level transducer in a tank. Other departments such as the laboratory may pay for the replacement of an electrode; Information Technologies Department may be replacing a hard drive on a computer. The uses for this GL are varied and the expenditures range from less than \$50 to more than \$1,000. The vast majority of the funding is based on unforeseen replacements.

HYDRANT REPAIR/REPLACEMENT (water enterprise)

Budgeted expenses are for the estimated cost of repairing or replacing defective fire hydrants within the District. The budget includes funds to develop and implement a systematic preventive maintenance and painting program for the fire hydrants.

VEHICLE MAINTENANCE

This budget line covers the costs for regularly scheduled preventive maintenance of District vehicles along with repairs and tires. The budget is based on historical spending.

FACILITY MAINTENANCE

The cost of janitorial services and facilities maintenance are included in this line item. Included expenses are those anticipated for the general maintenance and repair of District facilities, concrete and asphalt repairs, facility painting, and door repairs. Also in this budget are roof repair/replacement at A3, KOA and Clarke Farms wells, and waterproofing the outlying NWRf buildings. The 2010 budget is based on historical spending and project/contract estimates for next year.

LANDSCAPE MAINTENANCE

The District contracts out landscape maintenance at all facilities. This budget also includes the cost for in-house irrigation repairs, landscape improvement projects, and tree replacement. The budget is based on historical spending and contract pricing.

SUPPLIES

LABORATORY SUPPLIES

This line item pays for all the laboratory supplies such as reagents, consumables, small meters and electrodes as well as providing laboratory supplies for the water resources department. The budget is based on historical spending and estimates of supplies needed for special projects such as the Rueter-Hess Water Characterization study.

OFFICE SUPPLIES and SMALL EQUIPMENT

This budget covers all of the office supplies and small equipment necessary for District administration and operations including two file cabinets for the District office. The budget is based on historical expenses.

POSTAGE

Included in this line item are the general postage requirements for District administration along with the charges to ship water/wastewater samples to out of state testing labs. Even though the cost of postage/shipping has increased, this budget is decreased due to the District's lab becoming certified to perform Nitrate samples. The cost of mailing the billing statements and newsletters is not in this line item.

GAS and OIL

The budget covers the cost of unleaded and diesel fuel for District vehicles, generators and equipment. The budget is based on the second highest gas price month in 2009. Each month is calculated on the actual number of gallons used in 2008 and compared to the extrapolated gallons for 2009.

CHEMICALS/OPERATING SUPPLIES

Water Enterprise

This budget line is used to pay for chemicals and supplies associated with the operation of the District's 45 wells. Chemicals include chlorine, nitrogen and iron sequestering agent. The budget is based on historical expenses and a discussion with the chemical supplier. There is a projected 30% increase in gaseous chlorine prices for 2010. The \$160,000 budget is \$144,500 for chemicals and \$15,500 for supplies.

Supplies include HACH total and free DPD pillows, disposable nitrile gloves, paper towels, well cleaning supplies, hypochlorite pump tubing, Regional C12 meter probes and membranes, chlorine cylinder rental, locate paint, locate flags, batteries for assorted electronic equipment, etc.

CHEMICALS/OPERATING SUPPLIES

Wastewater Enterprise

This budget covers chemicals associated with AWT treatment of reclaimed water and processing biosolids. A small portion of the budget pays for necessary operating supplies such as peristaltic pump tubing, poly sheeting for grit cans, process control equipment and supplies. Chemicals to clean the media at the NWRF AWT filters are also included. The budget is based on current chemical requirements and historical usage. The \$889,520 budget includes \$858,920 for chemicals, \$15,000 for supplies and \$15,600 for filter cleaning chemicals (Floran) at the North Plant.

Supplies include plastic for line grit cans, cleaning supplies, pH probes, chemical pump tubing, HACH Cl17 reagents, DPD chlorine pillows, paper towels, new small tools, DO probe membranes, etc.

METERS (Water Enterprise only)

This budget pays for the meters and associated equipment for residential, commercial and irrigation installations throughout the District. Also included are meter gaskets, manhole lids, pit lids and curb stop lids. The budget is calculated based on planned meter replacements and the 2010 housing forecast. The cost of all new meter installations is paid by the contractors. The budget is based on 125 meter sets, 70 change-outs and the purchase of two 3" compound meters.

MATERIALS

This line item includes preventive maintenance items such as filters, belts, packing gaskets, diaphragms, grease, oils, fittings, and tubing, piping. This budget is computed utilizing historical spending and anticipated price increases.

ELECTRICAL SUPPLIES and TOOLS

This line item covers the supplies necessary for electrical repairs, upgrades and testing by District electricians. This budget is based on historical costs along with anticipated price increases.

SMALL EQUIPMENT and TOOLS

The small equipment and tools budget pays for the purchase of worn out hand tools and small, less expensive equipment such as electrical testing meters. The Information Technologies Department pays for small gauge wires and bulbs for SCADA from this budget. There are some redundancies between departments, permitting sharing which would reduce efficiency.

EQUIPMENT RENTAL

The Equipment rental budget is used by two departments in order to rent equipment that is used infrequently. It is not cost effective to purchase and maintain the equipment due to the infrequent use. The largest use in District Services is for renting a "bush-hog" mower for use at the Diversion Structure in order to meet permit conditions. The other significant use is to rent a large air compressor to blow out the District's irrigation systems. The Maintenance Department uses their allocation to rent specialized tools such as concrete core drills.

COMMUNITY EDUCATION

COMMUNITY EDUCATION

The Community Working Group recommended that the move to the revised tier system for water charges should be further investigated and that additional community education on the reasoning behind any changes to the current tier rates would be required. This item anticipates a continued presence of a community working group in some form; the educational effort that will be required to inform our customers of any changes to the tier system and covers model runs that would be required from any changes in the tier system.

NEWSLETTER EXPENSES

This line item reflects the expenses to produce the 2010 monthly newsletters, which are produced in-house and included with the e-bills or mailed with the billing statements. The annual Consumer Confidence Report is also expensed in this line item. The budget is based on actual estimated costs.

CONSERVATION/EDUCATION

This category covers expenses for providing "Slow the Flow" water audits for customers, purchase of rain sensors for distribution to customers, educational materials and handouts; and Xeriscape Garden Contest prizes.

MISCELLANEOUS

GENERAL MISCELLANEOUS

This category represents various small purchases that do not fit into other categories. The budget is based on historical data.

HUMAN RESOURCES

Human Resource costs are for all employees. This line item covers the cost for membership in Mountain States Employers Council, which provides legal consultation on employee relations, surveys, supervisory training, seminars and assistance with governmental compliance. This item covers costs for the Employee Assistance Plan, the Hearing Protection Plan annual checkups, required CDL drug testing program, annual flu shots, Hepatitis A&B shots, cost of one new replacement hire including the background check, drug testing, advertising for the opening, and pre-employment physical. The decrease from the previous year is due to no new positions included in the budget.

EMPLOYEE BOARD FUNCTIONS

This line item includes expenses for an on-site Board retreat, Board meeting meals and \$4,000 for unspecified employee functions.

IGA

This budget is for intergovernmental agreements with Cherry Creek Basin Authority for mandated wastewater permits, Colorado Department of Health permits, Douglas County Water Authority, the Special District Association dues, Denver Regional Council of Government dues, South Metro Water Authority, the S. Platte Improvement Forum and other governmental entities. Also included is \$25,000 for IGA expenses that originate during 2010. The budgeted amount is determined by existing agreements and historical costs.

SEMINARS & TRAINING

Expenses included in this line item are departmental specific training, particularly for engineering, maintenance, IT, Water Resources training for operators, and computer training. Seminar costs (RMWEA, WEFTEC and AWWA) for all departments including management are included.

MAINTENANCE AGREEMENTS

The maintenance agreements budget is shared by four departments and pays for technical representative visits on expensive, sensitive or specialized equipment. Examples include the laboratory's Inductively Coupled Plasma Analyzer, Deionization/Reverse Osmosis Water Treatment Process for the laboratory, load testing the emergency generators throughout the District, maintenance on District photocopiers and high-speed printers; and state required inspections on elevators and boilers.

SUBSCRIPTIONS, DUES AND MEMBERSHIPS

This line item covers the cost for memberships within professional organizations, subscriptions to industry magazines, and a subscription to the Denver Post newspaper. The budget is based on historical values.

COMMUNITY OUTREACH

This budget item covers the cost of outreach activities deemed beneficial to the community and the District. This budget includes funding for the Parker Task Force to help customers in crisis pay their water bills; support for the annual Douglas County Chemical Roundup, which directly protects the District's water and sanitary sewer functions; and \$10,000 as undetermined.

TRANSFER RATE FUNDED CAPITAL

In addition to covering the normal operating expenses and bond debt, the structure of user fee rates allows for funds to be used in payment of replacing facilities and capital equipment. This line item provides for the repair, replacement, upgrade and construction of water facilities that serve existing customers and therefore incur expenses that are not covered by funds derived from tap fees. Examples of items covered include, but are not limited to, upgrades due to regulatory requirements, changes in operation, changes to increase efficiencies, etc. This income is a cash transfer from operating to the capital income line item.

SAFETY

This line item covers the District's safety program including consultant/training, specialized PPE, confined space meters, prescription safety glasses, safety boots and safety hour presentations. The District's program provides cost effective training units for certification renewals. The budget is historical spending based.

INDUSTRIAL PRETREATMENT PROGRAM

This budget line covers the minor costs associated with the Industrial Pretreatment Program including the analysis of special samples and the purchase of supplies and materials for the program. The budget is based on historical expenses.

2010 BOARD OF DIRECTORS ELECTION

This line item is to cover the cost of the regular Board of Directors election, which will be held May 4, 2010. The budget is the approximate cost for a mail ballot election based on the Town of Parker's 2005 similar election which cost almost \$40,000.

DEBT SERVICE

DEBT SERVICE (WATER)

As provided in the rate study, for the year 2010 the water enterprise's debt service is paid from reserves. This line item is the total amount of the 2010 water operating debt service, which will be transferred from the water capital future debt service reserves.

DEBT SERVICE (WASTEWATER)

All of the wastewater enterprise's debt service is paid from user fees. The budget is calculated utilizing the debt service schedules.

WATER RESOURCE FARMS(water enterprise)

PILT

The District is making Payment in Lieu of Taxes to offset the loss of tax revenue in Logan County. This is a good faith gesture. The budget is based on current year payments plus consideration given for mill levy increases.

OPERATIONS

Funding needed to implement a plan of action for operating the farms and securing the farms. The budget is based on the anticipated income from the farm leases which offsets the expenses.

POSTEMPLOYMENT BENEFITS

This unfunded actuarial accrued liability is required under GASB Statement 45 for employers whose group health insurance coverage allows coverage for retired members. The District allows health insurance coverage continuation to the age of Medicare eligibility at the expense of the retiree. The District does not contribute to the retiree's medical insurance premium. Since the District's total membership in the Retiree Health plan is less than 200, the District qualifies to use the alternative measurement method and make the necessary other postemployment benefit (OPEB) calculations triennially. The 2010 budgeted amount is based on the 2009 annual OPEB expense.

PARKER WATER AND SANITATION DISTRICT

NOTES TO THE 2010 CAPITAL BUDGET

WATER CAPITAL

BEGINNING CASH

Beginning Cash is comprised of estimated restricted and unrestricted cash balances as of January 1, 2010. Unrestricted cash in the bank, the Future Debt Service Reserve and the Rueter-Hess enlargement fund are considered for spending in the 2010 Budget. By agreement, the Debt Reserve Funds and the Rate Stabilization Fund are restricted from spending.

WATER TAP FEES AND WATER DEVELOPMENT FEES

During the Rate Study, the Community Working Group analyzed the District's tap fees. The CWG's recommendations were that (1) Use replacement cost new less depreciation to value existing infrastructure and (2) Use relative hydraulic capacity to determine the assessment schedule. The final determination was a 5% increase in the total water tap fee charge. The Water Fees are based on 50 new taps during 2010 and change from \$14,500 to \$15,225 (\$2,500 Water Tap and \$12,725 Water Development Fee).

WATER RESOURCE TOLLS

The Water Resource Toll remains unchanged at \$5,000 per SFE. The Water Resource Toll is the developer's purchase of water from the District for service. The District expects to collect Water Resource Tolls for only five new taps in 2010. Water credits are available for developments representing the majority of the anticipated new taps.

RUETER HESS MILL LEVY

In 2004 the District received voter approval to initiate a mill levy for General Obligation Debt to pay for the construction of the Rueter Hess Reservoir. In 2010 a mill levy will be certified to partially pay the Rueter Hess Loan debt service. The balance of the debt service will come from District reserves.

RIDGEGATE INCLUSION FEES

It was agreed during the Ridgeway inclusion process that the inclusion fee (\$4,000 per acre) would be paid in equal installments over ten years plus interest on the unpaid balance at 6.25% per annum. This budget is 10% of the inclusion fee and interest due.

INCOME FROM INVESTMENTS

Banks, COLOTRUST and securities comprise the sources of investment income, which is based on current rates paid by the particular investments.

OTHER INCOME

This budget item reflects small amounts of miscellaneous income.

ENGINEERING FEES

The District's engineering department charges for the engineering tasks performed for developer related construction projects within the District.

The budget is based on anticipated work for developers in 2010.

TRANSFER OF RATE FUNDED CAPITAL

In addition to covering the normal operating expenses and bond debt, the structure of user fee rates allows for funds to be used in payment of replacing facilities and capital equipment. This line item provides for the repair, replacement, upgrade and construction of water facilities that serve existing customers and therefore incur expenses that are not covered by funds derived from tap fees. Examples of items covered include, but are not limited to, upgrades due to regulatory requirements, changes in operation, changes to increase efficiencies, etc. This income is a cash transfer from operating to the capital income line item.

CSU PROJECT (CWCB)

In 2010 the District will receive proceeds from a \$477,000 grant from the Colorado State Project Fund. This is an offset to the PWSD expenses for the CSU study.

WATER CAPITAL EXPENSES

DEBT SERVICE

Debt service for the 2004 Rueter-Hess Loan will be paid 50% from the water capital budget and 50% from the sewer capital budget. The District is initiating a customer approved mill levy to pay a partial amount of this general obligation debt. During 2010 the balance of the debt will be paid from a District reserve account, Future Debt Service Reserves. The budget is the actual amount on the debt schedule.

RESERVOIR EXPANSION

2010 construction will include completion of control structures, work within the core of the expansion, general dam embankment and restoration of disturbed areas.

WELLS - GENERAL

This line item includes the addition of wetwell vent fans, a VFD at KOA II, and an allowance for the replacement of the pump and motor at two wells.

OFFICE EQUIPMENT

This allows for the purchase of a UPS for the District office server room. The cost is shared between water and sewer.

CSU PROJECT

The CSU Study is envisioned as a three year study of crop management which would allow for more efficient use of irrigation water plus the study of rotational crop fallowing all with the intent to find creative ways to allow for a "sharing" of water between agriculture and municipal uses. In addition to crop management, an intensive socio-economic component is also included in the study to determine if damage to both agriculture as well as support systems within agricultural communities can be avoided if water is shifted to municipal uses. The expenses directly attributed to Colorado State University are funded by the CWCB Grant.

FLAMING GORGE PROJECT

The Colorado-Wyoming Coalition will have a dues structure of twenty thousand dollars per year plus a six thousand dollar contingency for twelve monthly trips to Wyoming plus expenses. Also included in the budget is at least one three day trip to Washington D.C. to meet with delegates and the Secretary of Interior.

SEWER CAPITAL

BEGINNING CASH

Beginning Cash is comprised of estimated restricted and unrestricted cash balances as of January 1, 2010. Unrestricted cash in the bank, the Future Debt Service Reserve and the Rueter-Hess enlargement fund are considered for spending in the 2010 Budget. By agreement, the Debt Reserve Funds and the Rate Stabilization Fund are restricted from spending.

SEWER TAP AND DEVELOPMENT

During the Rate Study, the Community Working Group analyzed the District's tap fees. The final determination was a 71% decrease in the total sewer tap fee charge. The Sewer Development Fee is eliminated and the Sewer Tap Fee is reduced to \$2,850. The Sewer Tap Fees are based on 50 new taps during 2010.

OUTFALL DEVELOPMENT FEES

The Outfall Development Fee is collected specifically for the construction of major outfall systems within the District. This fee does not change for 2010 (\$800 per SFE).

RUETER HESS MILL LEVY

In 2004 the District received voter approval to initiate a mill levy for General Obligation Debt to pay for the construction of the Rueter Hess Reservoir. In 2010 a mill levy will be certified to partially pay the Rueter Hess Loan debt service. The balance of the debt service will come from District reserves.

RIDGEGATE INCLUSION FEES

It was agreed during the Ridgeway inclusion process that the inclusion fee (\$4,000 per acre) will be paid in equal installments over ten years plus interest on the unpaid balance at 6.25% per annum. This budget is 10% of the inclusion fee plus the interest due.

INCOME FROM INVESTMENTS

Banks, COLOTRUST and securities comprise the sources of investment income, which is based on current rates paid by the particular investments.

OTHER INCOME

This budget item reflects miscellaneous income.

ENGINEERING FEES

The District's engineering department charges for the engineering tasks performed for developer related construction projects within the District. The budget is based on anticipated work for developers in 2010.

TRANSFER OF RATE FUNDED CAPITAL

In addition to covering the normal operating expenses and bond debt, the structure of user fee rates allows for funds to be used in payment of replacing facilities and capital equipment. This line item provides for the repair, replacement, upgrade and construction of water facilities that serve existing customers and therefore incur expenses that are not covered by funds derived from tap fees. Examples of items covered include, but are not limited to, upgrades due to regulatory requirements, changes in operation, changes to increase efficiencies, etc. This income is a cash transfer from operating to the capital income line item.

SEWER CAPITAL EXPENSES

DEBT SERVICE

Debt service for the 2004 Rueter-Hess Loan will be paid 50% from the water capital budget and 50% from the sewer capital budget. The District is initiating a customer approved mill levy to pay a partial amount of this general obligation debt. During 2010 the balance of the debt will be paid from User Rate Revenues. The budget is the actual amount on the debt schedule.

SOUTH WATER RECLAMATION FACILITY

The corrosive environment within the chemical building at the South Plant necessitates the need to replace and upgrade chemical feed piping and electrical panels.

NORTH WATER RECLAMATION FACILITY

To improve efficiency, minimize water waste and extend the overall life of the filters at the North Facility, construction of additional capacity of the backwash is required.

Bar CCC TRANSFER LINES (SEWER LINES)

Current operation allows for the transfer of water from the Bar CCC pond back to the South Water Reclamation Plant. To allow for better distribution of flows between the two water reclamation plants, improvements are required that would allow for the transfer of flows from Bar CCC pond to both the North and South Reclamation Plants.

OFFICE EQUIPMENT

This allows for the purchase of a UPS for the District office server room. The cost is shared between water and sewer.