

DETAILS – feb 28 meeting

***2024 – Dw1 Water Rates have already increased 3 times in the past 4 years, why again?
Why are general fund and sewer fund rates also being considered for an increase?***

Where did the proposed amounts come from? Our auditor recommended the board review a 5-year cash flow history to help with setting rates. Attached are cash flow spreadsheets separated by the water and sewer funds (called proprietary funds in the audits) and the general fund. Revenues and expenses are allocated among the funds. The monthly bills you receive are separated into broad categories for each of the funds. Water and sewer are self-explanatory. The general fund takes care of roads, common areas, building facilities, storage buildings, equipment, vehicles, utilities, and administration expenses including insurance, accounting, attorneys, office equipment & supplies. All data was pulled from the past 5 years of audits. Also posted is a document labeled “Cash Flow 2018-2022 Data Source” that compiles the pertinent sections from each audit year for those who may want to review. The full audits are also posted. Please feel free to ask questions. Comments may be submitted anytime until 5pm on the hearing date, February 28, 2024. Office, 6:30pm, dw1boardmembers@gmail.com

Some History: From the beginning, water has always been very expensive for Dw1, and by far has been the biggest financial challenge. Many of you lived here or remember from the news the decades it took the District to secure a reliable source of water. Others are far too young to remember those decades of water insecurity. In 2009, Lake Durango Water Authority began operating the lake as a public entity. System improvements began immediately and the Authority is still in the process of replacing and repairing old deficiencies they’ve uncovered. Because the lake’s water rights on the Pine Ridge Ditch are not the highest priority, there are years when no water is available to fill the lake. To help ensure a consistent supply, the Authority purchased additional water from ALP (Lake Nighthorse). This has all come at great costs, unfortunately. Since 2011, the Authority has increased water charges by 89% (5% compounded annually), while Dw1 has increased water charges by 42% during the same time period. Lake Durango has promised a new rate study for several years but has not been able to complete that project yet. This year, bid proposals have been requested. They informed Dw1 an updated Cost of Service rate study is on the quickest pace possible in 2024 for a completed study in hand by late spring/early summer. Dw1 does not expect water rates to decrease. However, we do want to ensure as a wholesale customer that we are contributing fairly to the items that help us, and that we are not contributing for items that should be funded by their retail customers. The data used in the 2011 rate study only had 12-18 months of accurate accounting. 2010 was the first full accounting year of a major transition period of shifting company from private ownership to a public entity. They are no longer in a daily put out fires mode, and their operations have settled down compared to 2011. Dw1 has our own infrastructure to maintain and our own list of capital needs. The water tank needs re-coating inside and the exterior painted. It’s expensive, but can’t be put it off much longer (bids almost 2 years ago were 175-185,000). Numerous main valves need to be dug up and made operational. Mapping and field identifications need to be updated. Line scrubbing is also on our list. After 45+ years of use and given some of the quality issues present for many of those years, a thorough cleaning of water lines is past due and it should improve our water quality.

Because water has taken the top priority spot most years, general and sewer fund needs have been pushed aside for too long. Snow plowing fees have not increased in well over 15 years. The drought years bought us some of this time on plowing fees, but we’ve had more moisture in the past 5-6 years and our plowing equipment has not gotten younger. The District did rent a loader this year to ensure something reliable would be available. We were shocked to learn the insured value had to be listed at \$312,000 on our certificate before taking

possession. Plowing is expensive but it's a very high priority for most residents. The old policies of waiting until 6" had accumulated on the roads before starting to plow disappeared many years ago. We slowly began in house plowing by running a 6-cylinder truck on the lower Forest Ridge hill to get that opened up before the contractors would show up. Over the years the backhoe started helping with cleanup and a larger old dump truck was the first real plow truck. We supplemented with an experienced one-man company who came from Mammoth Ca years ago. We're still lucky to have him as a resident but he's since retired what we call the purple plow. For all season use, our equipment now consists of a 1994 Case backhoe that groans but still runs, a 2009 Volvo compact loader they no longer make parts for with a failing hydraulic pump, a 1999 F550 mini dump flat-bed for sanding that always seems to have a new problem as well as too much exhaust smoke, a 2015 F350 Brian is absolutely thrilled to add to the fleet a few years ago as its the nicest truck we own, and a 1997 F150 that's under powered but remains a good errand & work truck. Obviously we can't keep roads clear and projects like fire mitigation going on efficiently without looking for some "newer used" equipment.

The District is completing the two homes that were started in October at 96 Canyon Creek and 24 Timber Drive. Developing these lots will partially replace some of the reserves, but building costs have drastically risen since Covid. The long-term value of having new homes in the neighborhood outweighs the shorter benefits of any cash gains. We're very pleased this project is nearly complete, but it is not something the District will likely be able to repeat in the near or distant future. It's not possible to continue supplementing operational costs with reserves because we've run out of ways to build up more reserves without raising fees. Investments need to be made in our road system soon, and drainage issues are becoming worse every year. We are seeing portions of curbs and roads sinking along with growing cracks and gaps. Roads will be fully assessed by an engineering firm to figure out a priority and budget plan for overlays and drainage. If the District does not increase fees, services cannot be sustained.

The District has sacrificed and worked hard to build up the neighborhood. It must be maintained. There is nothing we can do to change the history of a rough start or the years of financially scraping by. We can only move forward. The smaller size of our subdivision doesn't have many accounts to spread costs among at 250 homes. There has not been a Dw1 mill levy since 2016 when the last road bonds paid off. That was a smaller 10-year bond for road work completed in 2006 and 2007. They've held up extremely well considering the frequent freeze/thaw cycles and amount of plowing.

Dw1 fills an important niche in Durango's housing market. So many hard-working people have benefited from homeownership here. Residents deserve keeping Dw1 a desirable place to live.

Durango West Metro District #1 -- Cash Flow Analysis 5 years
Proprietary Funds - Water and Sewer Only - Based on 250 Homes

Description	Water Fund	Sewer Fund	Five Year Total	Cash Flows	Change in Net Position
2018 Audit					
2017 Net Position - what is each fund worth - not how much cash we have	133,662	582,935	716,597		
Change in Net Position from 2017-2018	(44,317)	(7,682)	(51,999)		(51,999)
Net Position ending 2018	89,345	575,253	664,598		
Depreciation (allowance for assets that wear out) & Balance Sheet (changes in amounts owed-liabilities)	20,917	9,071	29,988		
Cash Flows - acutal cash in and out during the year Due (to) / Due From other Funds	(23,400)	5,578	(17,822)	(17,822)	
(when we use one fund to cover another fund's shortage)	(159,752)	434,123	274,371		
<u>NET 2018 SHORTAGE (per customer/year/month)</u>				(\$208.00)	(\$17.33)
2019 Audit					
2018 Net Position - what is each fund worth - not how much cash we have	89,345	575,253	664,598		
Change in Net Positon from 2018-2010	(35,885)	(4,479)	(40,364)		(40,364)
Net Position ending 2019	53,460	570,775	624,235		
Depreciation (allowance for assets that wear out) & Balance Sheet (changes in amounts owed-liabilities)	(4,531)	9,341	4,810		
Cash Flows - acutal cash in and out during the year Due (to) / Due From other Funds	(40,416)	(26,794)	(67,210)	(67,210)	
(when we use one fund to cover another fund's shortage)	(208,830)	398,668	189,838		
<u>NET 2019 SHORTAGE (per customer/year/month)</u>				(\$161.46)	(\$13.45)
2020 Audit					
2019 Net Positon	53,460	570,775	624,235		
Change in Net Positon from 2019-2020	(43,753)	(5,838)	(49,591)		(49,591)
Net Position ending 2020	9,707	564,937	574,644		
Depreciation (allowance for assets that wear out) & Balance Sheet (changes in amounts owed-liabilities)	19,108	24,840	43,948		

Cash Flows - actual cash in and out during the year	(24,645)	19,002	(5,643)	(5,643)	
Due (to) / Due From other Funds					
(when we use one fund to cover another fund's shortage)	(233,476)	416,340	182,864		
<u>NET 2020 SHORTAGE (per customer/year/month)</u>				(\$198.36)	(\$16.53)
2021 Audit					
2020 Net Position	9,707	564,937	574,644		
Change in Net Position from 2020-2021	(10,428)	(4,248)	(14,676)		(14,676)
Net Position ending 2021	(720)	560,690	559,970		
Depreciation (allowance for assets that wear out) & Balance Sheet (changes in amounts owed-liabilities)	22,199	12,889	35,088		
Cash Flows - actual cash in and out during the year	11,771	8,641	20,412	20,412	
Due (to) / Due From other Funds					
(when we use one fund to cover another fund's shortage)	(221,210)	425,528	204,318		
<u>NET 2021 SHORTAGE (per customer/year/month)</u>				(\$58.70)	(\$4.89)
2022 Audit					
2021 Net Position	(720)	560,690	559,970		
Change in Net Position from 2021-2022	(4,194)	(13,593)	(17,787)		(17,787)
Net Position ending 2022	(4,914)	547,097	542,183		
Depreciation (allowance for assets that wear out) & Balance Sheet (changes in amounts owed-liabilities)	4,441	20,860	25,301		
Cash Flows - actual cash in and out during the year	247	7,267	7,514	7,514	
Due (to) / Due From other Funds					
(when we use one fund to cover another fund's shortage)	(219,067)	434,692	215,625		
<u>NET 2022 IN DOLLARS (per customer/year/month)</u>				(\$71.15)	(\$5.93)
TOTAL FIVE YEAR CASH FLOW	(76,443)	13,694	(62,749)	(63,376)	
AVERAGE FIVE YEAR CASH FLOW	(15,289)	2,739	(12,550)	(12,675)	
CHANGE IN NET POSITION	(138,577)	(35,840)	(174,417)		(174,475)
AVERAGE CHANGE IN NET POSITION	(27,715)	(7,168)	(34,883)		(34,895)
5-yr total shortage from reserves per customer for past 60 months - monthly shortage	(\$697.90)				
	(\$11.63)				