

# Southwest Metropolitan Water and Sanitation District

## 2018 Budget

### Policy Issues

#### POLICY ISSUES

1. District operating expenses in 2018 are projected to exceed total revenue by \$353,398 despite a proposed \$2.00 (67%) per month increase in the water and sewer service fee. Future planned increases in the service fee will bring operating revenues to a level to match operating expenses in 2019.

**Issue: Should the District increase revenue through higher increases in the service fee or other means to align operating revenue and operating expenses prior to 2019?**

2. The water and sewer service charge is a critical source of revenue for District operations. An alternate source of revenue is the imposition of a property tax mill levy provide a very reliable, consistent source of revenue and would lower the costs for residential customers and raise the costs for commercial users.

**Should the District consider conducting a TABOR election to impose an operations mill levy in lieu of the water and sewer service fee?**

3. The District is approximately 90% developed with only a few vacant developable parcels within the District boundaries. Tap fees were last adjusted five years ago so the current fees will be assessed at the time the remaining vacant parcels develop unless amended prior to development.

**Issue: Should the District consider increasing water and sewer tap fees before the properties develop.**

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4. Investment income is projected to generate \$367,350, 27% of total revenue, in 2018. The District's investment policy limits the types of investments the District may utilize for investing reserve funds. Additional investments that fully meet public funds investment statutes could possibly increase the revenue produced without unduly increasing risk and preserving liquidity

**Issue: Should the District consider amendments to its investment policy to broaden the scope of allowable investments to increase yield?**

- 5 The District uses a comprehensive data driven rating system for scheduling asset replacements and renewals. Proposed 2018 capital expenses less contingencies will contribute to a 2018 deficit and reduction in the District's reserve fund amounting to of \$1,113,388.

**Issue: Should the District delay some of the proposed capital projects scheduled in the draft 2018 budget to avoid the deficit?**

- 6 The District's Ten Year Financial Plan projects annual increases in the District's reserve fund from \$23,127,794 in 2018 to \$23,650,005 in 2027.

**Issue: Is the projected increase in the level of the District's reserve fund adequate and appropriate for the future needs of the District.**