

**Valley at Winter Park Water District  
Special Meeting  
for  
Special Assessment/Increase  
Water Fees Consideration**

**November 1, 2022**

## **Proposed Action**

Increase Valley at Winter Park Water District (District) revenues for the purpose of improvements to the water system to bring it into compliance. During this meeting, the District will share with the community project costs and timeline recommended by Chris Purrington of Purrington Engineering, a civil engineering firm.

## **Purpose and Need**

The existing water system is 20-years-old and has not received any upgrades, major or minor, since its installation and implementation. Analysis from contracted consultants and engineers have advised the District to make improvements to the system and to revise the current fee structure to financially support those needs.

# Background

- The District's water system was installed in 2003 and became operational in 2004.
- The well was originally drilled to provide irrigation water for the now abandoned golf course and was never meant to be the main water source for the community.
- Up to now, funding the District's operations have been done via an annual service fee and water rights sales.
- The District began with just over 50 acre-feet of water rights. Now, in late 2022, the District has 20 acre-feet remaining of that original amount.
- Previously, rights were sold with the intent of the revenue to be used for capital improvement needs, but revenues were limited and no improvements or upgrades have been made.
- Some emergency repairs have been completed recently.
- In 2021, the only large installment of funds from the sale of water rights (\$39,000) was transferred to the District's money market account, an account set up to hold capital improvement funds. Previously, all funds were used to pay attorneys and cost associated with the sale of the water rights.
- The balance in the Board's money market fund for capital improvements is \$34,000.
- The District has a complicated history due to its creation as a developer district.

### 3 Year Capital Improvement Plan

**2022**

Engineering	General Coordination/System Review/Evaluation.....	\$ 7,000
<b>Water System Improvements</b>		
Engineering	Project Oversight/Management.....	\$ 5,000
Existing Well	Pump Replacement.....	\$ 13,000
	Well Level Transmitter/Display.....	\$ 4,000
Electrical	SCADA System/Controls.....	\$ 28,000
	Repair and Upgrade to Existing Cabinet.....	\$ 6,000
	Subtotal 2022.....	\$ 63,000
	10% Contingency.....	\$ 6,300

**2022 Total \$ 69,300**

**2023**

Engineering	General Coordination/Capital Reserves Study.....	\$ 8,000
<b>Well No. 2/Well House</b>		
Engineering	Design/Approval Coordination.....	\$ 20,000
	Project Oversight/Management.....	\$ 7,000
Well No. 2	Well Drilling.....	\$ 36,000
	Pump and Pitless Adaptor.....	\$ 20,000
Well House	New Structure/Internal Piping.....	\$ 80,000
	Site Grading/Excavation/Installation.....	\$ 40,000
	Supply/Distribution Lines/Connect to Existing.....	\$ 50,000
Electrical	SCADA System Upgrade/Relocate.....	\$ 15,000
	Subtotal 2023.....	\$276,000
	10% Contingency.....	\$ 27,600

**2023 Total \$303,600**

**2024**

Engineering	General Coordination.....	\$ 8,000
<b>Water Storage</b>		
Engineering	Design/Approval Coordination.....	\$ 15,000
	Project Oversight/Management.....	\$ 6,000
Potable Storage	25,000 Gallon Water Storage Tank.....	\$ 63,000
	Site Grading/Excavation/Installation.....	\$ 30,000
	Supply/Distribution Lines/Connect to Existing.....	\$ 10,000
Electrical	SCADA System Upgrade/Integration.....	\$ 10,000
Fire Storage	10,000 Cistern.....	\$ 25,000
	Site Grading/Excavation/Installation.....	\$ 15,000
	Subtotal 2024.....	\$182,000
	10% Contingency.....	\$ 18,200

**2024 Total \$200,200**

**3 Year System Upgrade \$573,100**

# Alternative 1

**No Action Alternative:** No increases are made to the service fee which is \$1200 per lot per year and a special assessment is not levied in 2022 or 2023.

## Pros:

- Lot owners will not pay more for water service.

## Cons:

- The district's community water system will be identified as non-compliant by the Colorado Department of Public Health and Environment, Water Quality Control Division (CDPHE WQCD). The WQCD will issue an order requiring us to be compliant or shut us down.
- The revenue collected will only be enough to maintain the operating and administrative costs.
- The capital improvements identified by professional consultants to maintain the system to standard will not be completed.
- The potential for system failure increases as the system ages and capital improvements and heavy maintenance continues to be deferred.
- Additional water rights may need to be sold if other revenue sources are not secured.

# Alternative 2

**Special Assessment Alternative:** Levy an assessment for each lot with no increase in the annual (calendar year) water use/service fee which is currently \$1 200 per lot per year. The revenue from the special assessment is earmarked for capital (infrastructure) improvements and additions.

## Pros:

- Special assessment provides a potential capital gains tax reduction benefit. Assessed amount is a capital expense. Owners should talk to their tax advisor to confirm.
- The District will not be forced to sell any of the remaining water rights to fund capital improvements.
- Service fee is unchanged.
- Lump sum payment provides the district the funds to get the capital improvements performed and have a compliant and safe drinking water system.

## Cons:

- Lump sum payment needed from each lot owner.

# Alternative 3

**Special Fee Increase Alternative:** Increase the annual service fee only with no special assessment.

## Pros:

- The service fee to increase revenue is spread out and is not made in a lump sum payment.
- Reallocation of funds to the Capital Improvement fund can be customized to meet the annual need. (The District cannot operate with negative balances, so the allocation must not draw the operation and administration funds below \$0.)

## Cons:

- Having funds trickle in over the course of several years will make it difficult to secure bids and proposals from contractors because we cannot hire any entity without the funding secured.
- The stated purpose and need is to increase revenue to implement capital improvements for improvements that are needed immediately. This method will slow the collection of needed funds and delay projects.
- Since this option is the traditional method of raising operating revenues, the District would need a resolution to transfer funds between operations and capital accounts.
- With no special assessment, there will be no potential capital gains reduction benefit.

# Alternative 4

**Combination Alternative:** Levy a special assessment for each Lot in 2022 and 2023 and increase the service fees per Lot per year. The revenue from the special assessment is earmarked for capital (infrastructure) improvements and additions. A portion of the service fees would be shifted to capital improvement fund.

## Pros:

- The District may no lose any of the remaining water rights due to the need to sell more right to fulfill revenue needs.
- Special assessment provides a potential, yet smaller than Alternative 1, capital gains tax reduction benefit.

## Cons:

- Lump sum payment, while smaller than Alternative 1, and an increase in annual service fees.
- The timeline for making improvements may be delayed as the service fees are collected.

**Note:** Alternative which introduced Water Usage Fees were considered but excluded due to the need for a more predictable revenue stream. Less than 50% of the lots have an active water connection.



# **Desired Future Condition**

- The District invest in infrastructure to ensure a safe and reliable water service to our community.
- Existing assets are maintained or upgraded to meet state standards for community water systems.
- The fee structure is updated to meet annual operating and administrative costs while also contributing to a working capital fund to implement timely capital improvements and not be forced to react to emergent problems.

# State Compliance Requirements

- Licensed engineering plan and submittal to the CDPHE WQCD
- Financial Plan – Plan showing funding for the construction and operation of the system.
- Operations Plan linked to the State provided PWSID #:
- Designation as a “Community Water System” with a PWSID #
- Monitoring Plan (Increased requirement for analytical testing, first set of test approximately \$10,000.00)
- Back Flow regulations (cross connection plan)
- Source Water Protection
- Redundancy – Additional Wells
- Fire Suppression – Per 1041 Permit from 1999 (Grand County Subdivision Improvement Process) requires a separate 30,000 gallon tank independent of the potable water system for Fire Suppression

# Special Assessment Suggested Fee Schedule

Capital Investment Funding Needed = \$573,100  
or approximately \$12,000 per Lot  
(48 Lots x \$12,000 = \$576,000)

\$12,000 Assessment paid in two installments:  
\$2,000 due in 2022  
\$10,000 balance due in March 2023\*  
\*Late Fees will be applied after March due date.

# Why are all funds due so soon?

The District needs the funds in the bank in order to get proposals and sign contracts to get the work completed. We all know there are always some people who will refuse to pay. After 6 months delinquent (October 2023), the VWPWD will certify the delinquent amount, including late fees and legal/administrative costs, with the Grand County Treasurer for Tax Lien Sale. By doing so, the District will be guaranteed to have all funds available by the final phase in 2024.

Once certification is complete, the District will no longer collect on delinquent amounts. They are solely in the hands of the County to collect and forward to the District upon collection.

§ 32-1-1101(e) In addition to any other means provided by law, to elect, by resolution, at a public meeting held after receipt of notice by the affected parties, including the property owner, to have certain delinquent fees, rates, tolls, penalties, charges, or assessments made or levied solely for water, sewer, or water and sewer services, certified to the treasurer of the county to be collected and paid over by the treasurer of the county in the same manner as taxes are authorized to be collected and paid over pursuant to section 39-10-107, C.R.S. The governing body of said special district shall pay to the county in which the affected property of the special district is located, at least once a year, an amount which shall be just and reasonable compensation for the extra labor imposed by this paragraph (e) and an amount for the special district's proportion of the expense of advertising the sale of lands for said delinquent fees, rates, tolls, penalties, charges, or assessments in each year, said amounts to be certified to the governing body of the special district by the county treasurer. Any such fee, rate, toll, penalty, charge, or assessment shall total at least one hundred fifty dollars per account and shall be at least six months delinquent. The treasurer of the county is also authorized to charge and retain a penalty at the rate of thirty percent, or thirty dollars, whichever is greater, on the delinquent sum due and owing to defray the costs of collection.

# Water Service and Usage Fees

The draft budget as presented will increase the quarterly fees not to exceed \$750 a quarter. These fees are used for regular operating costs, administrative expenses, legal, and accounting fees. A Budget Hearing is scheduled for November 9, 2022 at 6:00 p.m. The Zoom link information is available on the District's website: [vwppwaterdistrict.org](http://vwppwaterdistrict.org)

## Why do we need to increase rates in 2023?

Expensive administrative cleanup that involves attorneys and accountants/auditors including:

- The District did not submit the required Audit Exemption with the State for the 2021 budget year
- Water Rights issues complicated with a 2016CW3036 decree that was approved in 2021 and needs to be perfected and complied with by 2025
- Clouded title issue related to settlement with Scott Bradley
- 20 years of not collecting enough money combined with poor administration has created the complicated position that we are in today.

Water System Operations costs will increase due to:

- The District is not an active system with CDPHE WQCD (no PWSID # - it was inactivated in 2004)
- 15 homes trigger CDPHE WQCD designation as a "Community Water System" and therefore strict oversight and compliance monitoring schedule.
- Complying with new State review and inspection process (oversite by engineer)

# **Late Payment Charges for Future Billings**

Currently, the District does not collect late payment fees on delinquent bills. Tonight the Board is proposing to change this and begin charging late payment fees.

Special Assessment Late Payment Charges – 5%/month

Quarterly Water Service/Usage Fees Late Payment Charges - \$15.00/month

§ 29-1-1102(3), C.R.S.: any Fees and Charges or Tap Fee not paid in full within fifteen (15) days after the scheduled due date will be assessed a late fee in the amount of Fifteen Dollars (\$15.00) or up to five percent (5%) per month, or fraction thereof, not to exceed a total of twenty-five percent (25%) of the amount due.