

## **SOUTH DURANGO SANITATION DISTRICT 2020 BUDGET MESSAGE**

The proposed budget for the South Durango Sanitation District for the 2020 calendar year is attached. As required by law, the budget summarizes all revenues and expenditures for the District for the prior year, the current year and the proposed budget year.

The District provides sewage collection and treatment services in the South Durango and Grandview areas. Although a substantial portion of the District service area is within the Durango city limits, a portion remains in the unincorporated area of La Plata County, Colorado. As a result, the District serves customers who are connected to the City's central water system and customers who have private wells or private water systems.

The District is supported by revenues paid by its customers and does not levy a tax. All current customers are charged a monthly user fee which covers all operating costs of the District and provides additional funds for payment of the lease purchase expense for sludge handling equipment, repayment to the capital reserve funds for a portion of the early redemption of the 2006 bonds in 2018 and additions to capital reserves to pay costs that are anticipated in 2028 to meet new nutrient removal requirements. The District increased its monthly user fee in 2018 from \$35 to \$40. An additional increase is anticipated to commence on March 1, 2020. Prior to the 2018 increase the District had not increased its fees since 2011.

Tap fee revenue is used to pay for debt service and other capital costs incurred to construct or expand facilities needed to provide service for new customers. Continued strong growth in the Three Springs area and new projects proposed in the south Durango, Grandview and Southfork areas within the District are likely to provide substantial tap fee revenue which will result in an increase in the capital reserves available to the District to pay for expansion of the system. Planned capital expenditures (non-operating) in 2020 include \$469,200 for treatment plant improvements and \$46,000 for new equipment.

The Board of Directors of the District had previously approved the preparation of a new Master Plan for the District facilities that will include an update to the capital improvement plan. That plan is now expected to be completed in 2020. That plan will help develop long term budget priorities for the District.

The 2019 budget projects total operating expenditures of \$774,585, an increase of \$156,626 over the amount of estimated expenditures in 2019. The primary increase is amounts budgeted for a full-time District manager and a third full-time employee which are necessary due to increase demands on District staff caused by rapid growth. The 2020 budget projects net operating income of \$176,205.

The District does not receive any tax revenues and has established a water activity enterprise pursuant to Colorado law. As an enterprise, the District is exempt from TABOR limitations. The District uses the cash method for budgetary accounting. Audits are prepared using the modified accrual basis and GAAP for governmental units.

**SOUTH DURANGO SANITATION DISTRICT  
2020 BUDGET**

		Budget		Estimated	Over	Final	Actual
		Year Ending		Year Ending	(Under)	Budget	Year Ending
		12/31/20	Notes	12/31/19		2019	12/31/18
<b>OPERATING</b>							
<b>Revenues</b>							
	Sewage Treatment	\$ 939,390	Note 1	\$ 755,000	\$45,000	\$ 710,000	\$ 615,490
	Interest	300		3,450	2,450	1,000	1,540
	Inspection fees	5,000		1,900	(3,100)	5,000	3,900
	Sludge Processing Fees-LLSD	6,000		6,000	0	6,000	-
	Miscellaneous	100		100	0	100	-
	<b>Total Operating Revenues</b>	<b>950,790</b>		<b>766,450</b>	44,350	<b>722,100</b>	<b>620,930</b>
<b>Expenditures</b>							
<b>Collection and Transmission</b>							
	Power	3,000		2,925	(75)	3,000	2,860
	Cleaning	40,000		38,652	3,652	35,000	25,842
	Repairs and Supplies	30,000		12,500	12,500	-	-
	Salaries	65,000		54,278	9,718	44,560	46,986
	Operator	7,500		7,500	0	7,500	7,500
	Payroll taxes & Benefits	18,760		14,900	1,900	13,000	13,418
	Vehicle Expense	6,000		5,000	0	5,000	1,657
	<b>Total Collection and Trans.</b>	<b>170,260</b>		<b>135,755</b>	27,695	<b>108,060</b>	<b>98,263</b>
<b>Sewage Treatment</b>							
	Repairs, Maintenance & Supplies	35,000		35,000	10,000	25,000	24,061
	Equipment replacement	25,000		23,000	(2,000)	25,000	17,261
	Salaries	43,000		36,192	6,442	29,750	31,324
	Payroll taxes & Benefits	12,450		9,950	1,450	8,500	8,945
	Operator	30,000		30,000	0	30,000	30,000
	Sludge Handling	35,000		36,420	6,420	30,000	31,639
	Testing	12,000		12,500	(5,500)	18,000	12,836
	Utilities	85,000		72,000	(3,000)	75,000	69,229
	<b>Total Sewage Treatment</b>	<b>277,450</b>		<b>255,062</b>	13,812	<b>241,250</b>	<b>225,295</b>
<b>Administrative</b>							
	Accounting and Billing	46,200		42,500	3,100	39,400	39,980
	Auditing	8,200		8,200	0	8,200	7,600
	Directors Fees	6,625		6,625	0	6,625	6,615
	Dues & Subscriptions	1,250		1,085	35	1,050	1,050
	Engineering	30,000		36,000	18,500	17,500	26,208
	Engineering-Master Plan	22,550		30,700	(16,400)	47,100	51,750
	Insurance	20,000		17,914	(86)	18,000	15,803
	Legal & Administration	30,000		62,500	2,500	60,000	50,964
	Management	138,050		-			
	Miscellaneous	1,000		1,050	450	600	729
	Office & Postage	20,000		19,500	500	19,000	17,542
	Permits	1,250		1,068	(32)	1,100	1,068
	Training & Seminars	1,750		-	(1,000)	1,000	60
	<b>Total Administrative</b>	<b>326,875</b>		<b>227,142</b>	7,567	<b>219,575</b>	<b>219,369</b>
	<b>Total Operating Expend.</b>	<b>774,585</b>		<b>617,959</b>	<b>49,074</b>	<b>568,885</b>	<b>542,927</b>
	<b>Operating Income (Loss)</b>	<b>176,205</b>	<b>22.7%</b>	<b>148,491</b>	<b>24.0%</b>	<b>153,215</b>	<b>78,003</b>

**SOUTH DURANGO SANITATION DISTRICT  
2020 BUDGET**

	Budget		Estimated	Over	Final	Actual
	Year Ending		Year Ending	(Under)	Budget	Year Ending
	12/31/20	Notes	12/31/19		2019	12/31/18
<b>OPERATING - continued</b>						
Transfer to Non-operating	(150,000)	Note 2	(146,643)		(161,643)	(89,525)
Operating Fund Balance - Jan 1	62,308		60,460			71,982
Operating Fund Balance - Dec 31	88,513		62,308			60,460
<b>NON-OPERATING</b>						
<b>Revenues</b>						
Tap Fees	375,000	Note 3	539,787	182,287	357,500	1,199,000
Interest	22,500		20,000	10,000	10,000	15,928
<b>Total Non-operating Rev.</b>	<b>397,500</b>		<b>559,787</b>	192,287	<b>367,500</b>	<b>1,214,928</b>
<b>Expenditures</b>						
<b>Capital Outlay</b>						
Equipment-New	46,000		45,000	(5,000)	50,000	14,072
Collection system			-			
GV Interceptor access			-	(300,000)	300,000	
Treatment Plant	469,200		21,500	21,500		26,150
<b>Total Capital Outlay</b>	<b>515,200</b>	Note 4	<b>66,500</b>	(283,500)	<b>350,000</b>	<b>40,222</b>
<b>Debt Service</b>						
<b>Principal</b>						
2006 bonds	-		-	0	-	855,000
WPCRF	38,073		37,700	378	37,322	36,587
Sludge Handling Equip.	56,708		55,213	0	55,213	53,765
<b>Interest</b>						
2006 bonds	-		-	0	-	14,250
WPCRF	10,995		11,368	(378)	11,746	12,420
Sludge Handling Equip.	4,935		6,430	0	6,430	7,817
Debt service fees	600		600	0	600	567
<b>Total Debt Service</b>	<b>111,311</b>		<b>111,311</b>	0	<b>111,311</b>	<b>980,406</b>
<b>Total Non-operating Exp</b>	<b>626,511</b>		<b>177,811</b>	(283,500)	<b>461,311</b>	<b>1,020,628</b>
<b>Non-operating Income (Loss)</b>	<b>(229,011)</b>		<b>381,976</b>	475,787	<b>(93,811)</b>	<b>194,300</b>
<b>Transfer from Operating</b>	<b>150,000</b>		<b>146,643</b>		<b>161,643</b>	<b>89,525</b>
<b>Non-operating Fund Bal - Jan 1</b>	<b>1,106,966</b>		<b>578,347</b>			<b>294,522</b>
<b>Non-operating Fund Bal - Dec 31</b>	<b>1,027,955</b>		<b>1,106,966</b>			<b>578,347</b>
<b>TOTAL FUND BALANCE - JAN 1</b>	<b>1,169,274</b>		<b>638,807</b>			<b>407,039</b>
<b>TOTAL FUND BALANCE - DEC 31</b>	<b>1,116,468</b>		<b>1,169,274</b>			<b>638,807</b>
<b>Note 1: Increase monthly fee to \$45 March 1, 2020</b>						
<b>Note 2: Operating transfer is sludge handling lease purchase payments, any capitalized repairs and a repayment of a portion of the operating share of 2006 bond redemption made in 2018</b>						
<b>Note 3: Assumes 50 new ERTs ( Three Springs 25, Hope Springs 15, Other 10)</b>						
<b>Note 4: The Capital Outlay is detailed on the attached schedule</b>						

**SOUTH DURANGO SANITATION DISTRICT  
2020 Budget**

**Supplemental Schedule – Capital Outlay**

Equipment

Small work truck	\$ 40,000
Office equipment	<u>\$ 6,000</u>
Equipment Total	\$ 46,000

Treatment Plant

Headworks	\$ 59,000
Basin Complex	\$ 350,200
Biosolids Ponds	<u>\$ 60,000</u>
	\$ 469,200

**Supplemental Schedule - Lease Purchase Agreements**

A	Total amount to be expended during 2020 for payments under all lease purchase agreements involving real property	\$0
B.	Total maximum payment liability under all lease purchase agreements involving real property over the entire term of the agreements	\$0
C	Total amount to be expended during 2020 for payment obligations under lease purchase agreements other than those involving real property	\$61,643
D	Total maximum payment liability under all lease purchase agreements other than those involving real property over the entire term of the agreements	\$431,502