EXPECTED RATE INCREASES

The District has looked at the financial forecast over the next 10 years and has determined that continued moderate annual (user fee) rate increases are necessary to fund capital improvements, ongoing operation and maintenance expenses, and other future needs of the system. State mandated capital improvements at the wastewater treatment plant, inflation, replacement of aging infrastructure, and decreasing residential property tax assessment rates are driving the need for these rate increases.

Three Lakes Water and Sanitation District is a unique sanitation district with 116 lift stations. The majority of the lift stations are older than 30 years and have original equipment. Aging lift stations are susceptible to sudden failure; have high maintenance cost, can impact adjacent property during failures, and increase the possibility of public health and safety issues. Because the majority of the District was constructed at the same time, significant expenses are expected 10 to 20 years in the future where a large portion of the District will reach the end of its service

In 2017 the District contracted with the District engineer to conduct an asset management plan.
This plan determined that the District should expect to budget approximately $1,117,000 per year over the next 30 years for lift station and collection system improvements. This cost is for lift station repairs and replacements only, and does not include upgrades or maintenance to the wastewater treatment facility. However, the District has been proactively addressing the lift stations over the years by budgeting rehabilitations of several lift stations each year, and will continue to do so in an effort to reduce some of the annual budget impacts.

Additionally, the District is currently constructing a $3.4M tertiary facility at the Table Mountain Reclamation Facility to meet new potentially dissolved effluent limits imposed by the state. This expense was unexpected and resulted in the District seeking funding assistance through a loan. This new loan has resulted in a $144,097 annual increase in District spending over the next 30 years.

Finally, the District is expecting revenue impact due to the Gallagher Amendment. Increasing residential property values has been causing a decreasing residential assessment rate, which is used to calculate the mill levy taxes that the District collects. The Tax Payers Bill of Rights (TABOR) does not allow the rate to increase once it has been decreased. The residential assessment rate for 2019-2020 will be 7.15%, a reduction from the previous 7.20%. The rate is expected to continue to reduce significantly over the upcoming years impacting the District's overall budget.

In 2018 the District hired a consultant to conduct a rate study to evaluate the monetary needs of the District. Based upon this study the District instituted a $6 per quarter increase, or $2 per month, in 2019; and is looking at another $6 per quarter increase in 2020. It is highly likely that the increases will need to continue over the next 10 years in order to fund the needs of the District. These increases will be evaluated every year and the proposed rate increases will be adjusted accordingly based upon actual income received.

The Board of Directors does not take these decisions lightly and understands that it will impact your personal budget. It is the duty of the Board of Directors to ensure that the District remains solvent while maintaining an adequately working system, which they intend to do by spreading the necessary costs over a period of many years to avoid a much larger and distasteful fee increase in the future.