



Board of Water Works of Pueblo, Colorado

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November 15, 2007

HONORABLE PRESIDENT AND MEMBERS OF THE BOARD BOARD OF WATER WORKS OF PUEBLO, COLORADO

Enclosed for your consideration and adoption is the proposed budget for 2008 outlining a program for personnel, operation and maintenance, capital expenditures, and debt retirement for the Board of Water Works of Pueblo, Colorado. The requirements presented herein represent the **minimum operational needs for 2008**.

The Division Overviews in the *Detail of Expenditures* section provide **important highlights** to this proposed budget. Those overviews will assist you in better understanding staff's recommended changes in the work force and what special or major O&M and capital projects we propose in our plan of work for 2008.

As a result of the Board workshop on November 6, we have drafted Resolution No. 2007-6, which, when adopted, implements the 2008 budget and revised water rate schedule. The revised rate schedule reflects a **4.5 percent rate increase effective with the January 2008 billing**. The rate increase is needed to offset increases in the cost of doing business.

The following entries highlight notable features of the 2008 budget:

- ✓ A recommendation that the Board adopt a 30 percent increase in the PWIF (plant water investment fees) with the rationale of growth paying a larger portion of future costs for expanding the system and acquiring water rights.
- ✓ O&M costs reflect an inflationary 3 percent increase (\$200,000) over 2007. This includes the continuation of the contingency account in plant-at-large in the amount of \$400,000.
- ✓ A total increase of \$511,000 for personnel services compared to the 2007 budget. It includes a cost-of-living salary adjustment of 3 percent.
- ✓ An increase of 12.1 percent in medical insurance, and a decrease of 8.09 percent in dental insurance.
- ✓ One new FTE position was budgeted in the Lab for a new bacteriologist/chemist.
- ✓ The continuation of the automated meter reading (AMR) project commenced in 2007 in the amount of \$1 million in 2008. The goal is a total conversion to AMR by 2017.
- ✓ Planned facilities expansion in the amount of \$400,000.

When reviewing the subsidy for the Water Development Fund, keep in mind the Board's dedication of 15 percent of Aurora lease revenue (\$124,000), a 2006 rate increase set-aside (\$399,000), interest income of \$359,000, and a new general fund set-aside for 2008 of \$250,000. On the expenditure side, the budget includes \$8.5 million reserved for water rights' acquisition, including an additional \$100,000 for continued legal and consulting services. Looking to the future, the Board has already authorized dedicating all revenue from Comanche unit 3 to the Water Development Fund beginning in 2010.


Consumption for 2007 is expected to be 7.8 billion gallons, generating metered water sales of \$16.1 million. This is approximately 10 percent below anticipated metered water revenue and is due in large part to a cool, wet spring. Going into 2008, the operating fund balance is expected to be \$11.7 million, and is predicated to decline over the next five years. Following past practice, our O&M and capital reserves will be preserved at a 60-day equivalency and not less than \$1 million respectively.

It should be noted that when looking at the Front Range cities' average monthly bills (reference Front Range comparison), the Board now has second from the lowest cost of water, or 40 percent below the Front Range average, and 104 percent below the highest. Also, when you review the additional information section in your budget, you will find we have by far the lowest plant water investment fee, which is more than \$30,000 below the highest connection fee (for a one-inch connection). When considering the residential rate impact, on average, a customer with a one-inch meter will see a monthly increase of \$1.28. Looking at the period from 1981 to 2007, Board rate increases have been below the Consumer Price Index by 5 percent.

IN CLOSING, IT IS MY RECOMMENDATION THAT THE BOARD CONSIDER FOR ADOPTION THIS BUDGET AND RELATED 4.5 PERCENT RATE INCREASE FOR 2008. This budget sustains the Board's continuing commitment to maintain a strong fiscal position and system readiness today and in the future, providing a dependable supply of high quality water to our customers at a reasonable cost.

We thank you for your continued guidance and support, and I want to take this opportunity to thank the employees of the Board of Water Works for their positive attitudes and diligence in providing our customers with a dependable supply of high quality water at a reasonable cost.

Sincerely,

A handwritten signature in black ink that reads "Alan C. Hamel". The signature is written in a cursive, flowing style.

Alan C. Hamel
Executive Director

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