



2023 Budget Summary



2023 Budget Overview

The purpose of the Clifton Sanitation District is to provide safe conveyance and treatment of residential and commercial wastewater for the Clifton, portions of Fruitvale, and Whitewater communities. The District works to ensure environmentally safe discharge of treated wastewater effluent under state and federal guidelines at the lowest practical cost in keeping with sound financial business practice and public trust. The District staff performs regular operation and maintenance of the wastewater plant and collection systems. Staff evaluates the capacity at the plant and in the collection system in order to plan new construction and maintenance of the wastewater system.

Clifton Sanitation District is an Enterprise Fund. District revenues are generated from customer fees, interest earnings, and tap sales; the District does not receive any revenues from property taxes. User rates and fees finance both operating costs and capital improvements. Charges for collection and treatment of wastewater comprise the funds for operations, maintenance, and debt service.

The District's wastewater systems are operated in accordance with a host of federal, state, and local public health and environmental regulations and standards. These mandates continue to evolve and become more stringent. Regulatory projects are typically mandated and consequences of non-compliance can be severe (i.e., administrative penalties, building moratoriums, etc.). Therefore, regulatory requirements are considered highest-priority projects for the District.

The 2023 Annual Budget: The Annual Budget includes an operating portion and debt service; this is the basis for rate setting. The 2023 annual budget presents the approved expenses and associated revenues needed to execute the functions of the District. The Capital Improvement Plan (CIP) outlines a number of important projects, programs, and policies for Clifton Sanitation District to implement in 2023 to continue to protect public health and water quality and ensure sufficient wastewater capacity to meet future growth needs.

The 2023 Budget Summary includes the financial planning information of the District in an integrated, easy to read format.

- ❖ 202 Budget is represented in three sections.
 1. **Operating Revenue & Operating Expenditures**
 2. **Non-Operating Revenue**
 3. **Capital Expenditures**



The Clifton Sanitation District (District) serves approximately 5,600 accounts representing approximately 8,900 equivalent residential units (EQU), the second consecutive year of notable increase. The District's operations are financially self-sufficient with funding derived primarily from service fees.

The District utilized the consulting services of the Farnsworth Group to provide engineering services for a Sewer Collection Master Plan, Asset Management Plan Development, and Rate Study Update. The study was completed in 2018. Rates and capital projects were considered for implementation beginning in 2020. The objective of the Rate Study was to update and reflect the current financial position of the District and the need to have a fee system to provide the required capital for future projects and on-going operations of the District.

The study recommended any and all fee changes necessary to maintain the District in a strong financial position. The rate study included the following:

- Analysis of the revenue and expenditures data
- Development projections of revenue and expenditures for 2018 through 2022
- Review of the District's current rate and fee structure with respect to the equitability between customer classes
- Review of the system development charges with respect to adequacy for financing improvements and basing the fees on meter size.

Service fees were scheduled for a 3.5% increase in 2021, however this was stayed due to COVID-19 impacts in our District's customer base. This increase was then implemented in 2022. No rate increase was proposed for 2023. A rate study was incorporated into the 2022 budget as the fee scope of the previous Farnsworth study ended in 2022. This study was not completed in 2022 and will now be pursued in 2023 and has been incorporated into the budget accordingly.

Fund balances are projected to decrease by \$569,888 in 2023 as the District's capital projects will exceed revenue in the year resulting in a reduction of reserves. This decrease is primarily caused by delayed and carryforward capital improvement projects from 2022, as such a carryforward of revenue at least equivalent to this amount is expected for 2022. The 2023 budget reflects \$502,578 in equipment, construction, engineering and other related expenses for collection system upgrades and replacements. There is an additional \$386,375 budgeted in capital projects for treatment process improvements to maintain compliance and operational efficiencies and \$76,000 for mobile equipment.



It is the philosophy of the District that Operational Revenues (monthly service fees) should be sufficient to cover all Operating Expenses (including debt service). Non-Operating Expenses are funded by Non-Operating Revenue and when the Non-Operating Expenses exceed the Non-Operating Revenue funds the District Reserves must be used as approved by the Board of Directors. The District manages the reserve funds to include operating reserves utilizing six months of operating expenses, \$1,322,498, Emergency Capital Reserves of approximately 1% of the value of the system \$500,000, and debt service reserves equal to one year of debt service, \$732,626. Therefore, the District will manage for 2023 reserve funds not less than \$2,555,124.

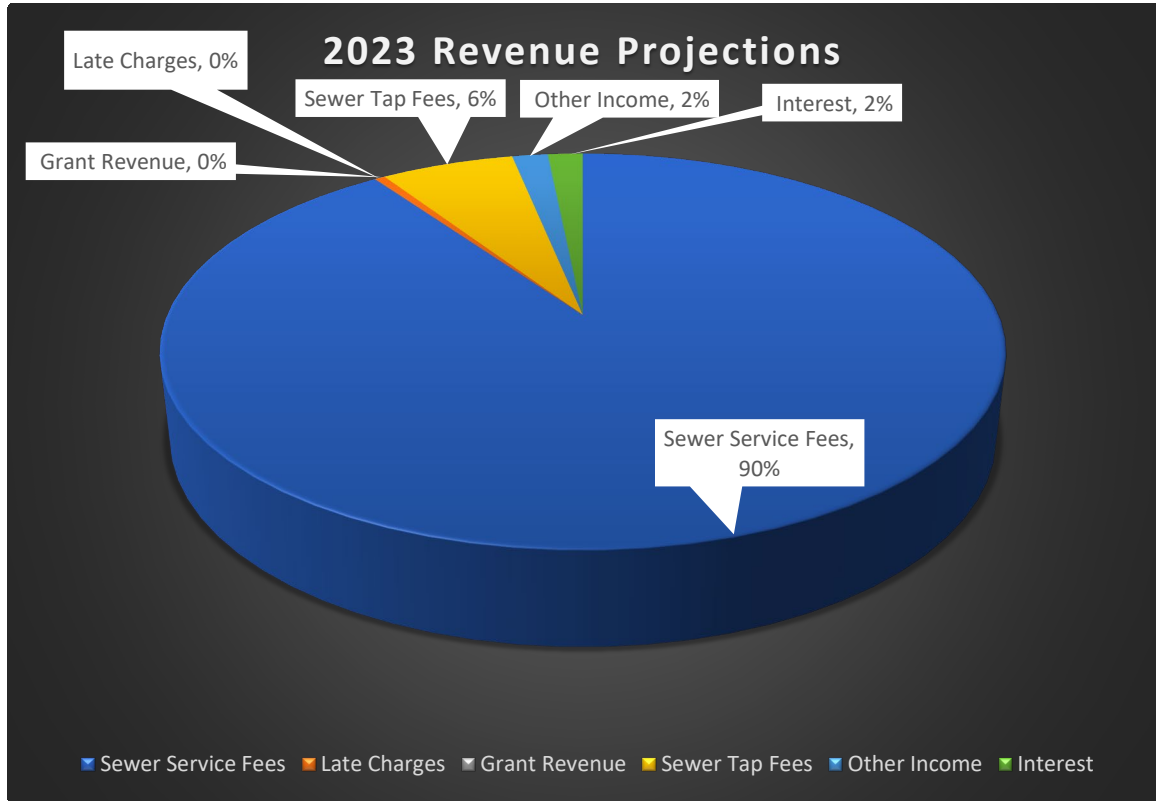
The 2023 Budget reflects that revenues equal expenses and the budget is balanced. Unexpended revenues are carried forward to ensure funding for capital, operating, and reserve requirements in future years. The budget has been prepared using the accrual method of accounting, modified for depreciation and capital expenditures, which is the same method of accounting used by the District for financial reporting.

If there are any questions or comments concerning the Budget, please contact the Manager of the District.

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2023 Operating Revenues



- ❖ Total wastewater revenue is projected to be \$3.402 million reflecting a projected 2.1% increase from the 2022 budget projections. The projected revenue increase is primarily caused by increased service fee revenue from customer accounts added in 2022.
 - Sewer service fee revenue is projected to increase 0.8% due to growth from tap sales.
 - Total overall operating revenue is projected to increase 0.7%. Operational revenue includes service fees, late fees, domestic wastewater hauling, gravel mining royalties and cell tower lease payments. Operational revenue can be variable due to wastewater hauler revenue and gravel production royalties. Oil and gas production is down significantly in this area resulting in a decrease of wastewater hauling revenue for 2023. Gravel mining was approaching the anticipated life of the available



resource; however, the production area was extended in 2020 and therefore is budgeted to continue in 2023 at the same level as 2022.

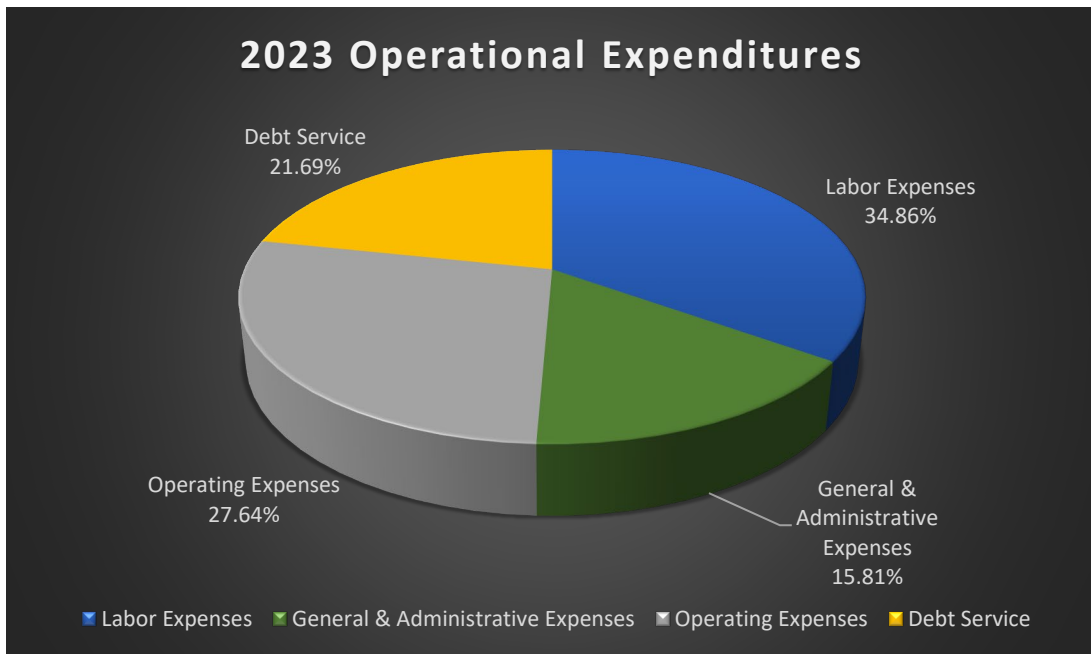
- Tap fee revenue for 2023 is projected to decrease 16.5% from the 2022 budget. Tap sales began decreasing in the third quarter of 2022, which is anticipated to carry into 2023. The 2023 budget does not include a tap fee increase.

❖ Sources of Funds Summary:

	Millions
Sewer Service Fees	\$3.402
Late Charges	\$0.018
Sewer Tap Fee Revenue	\$0.229
Investment Revenue	\$0.060
Other Income	\$0.061
Grant Revenue	<u>\$0.000</u>
Total	<u>\$3.770</u>



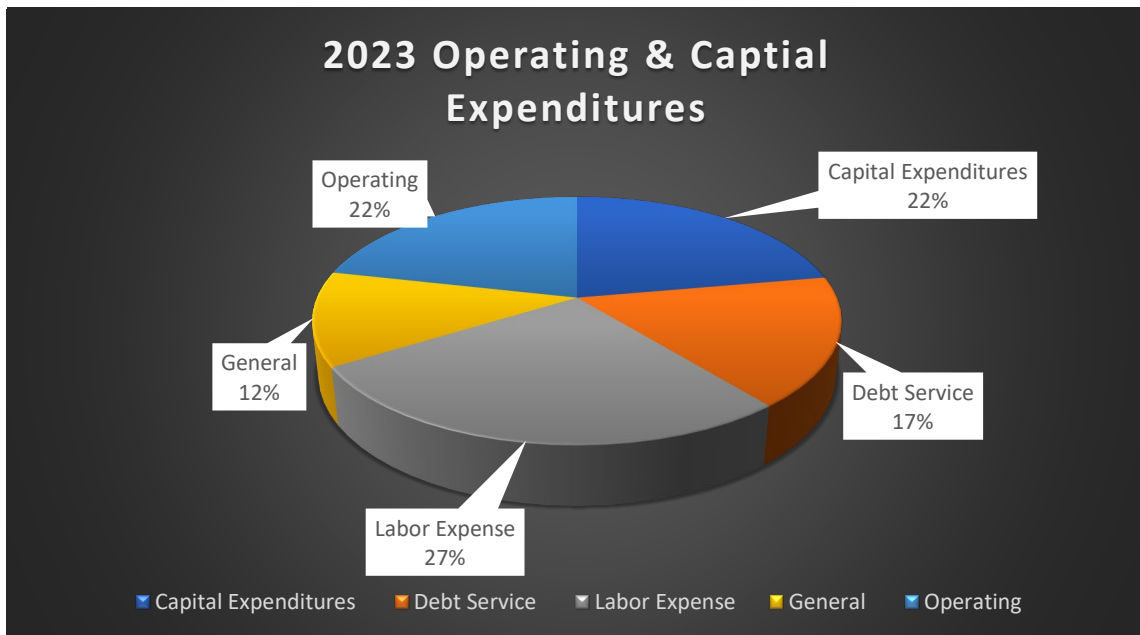
2023 Operational Expense Distribution



- ❖ The District's debt service in 2023 will reflect 22% or \$732,626 of total operational expenditures. The District's debt service will sunset in 2027.
- ❖ District staffing levels were increased in 2022 with the addition of one FTE to replace a retiring FTE and one new position for Treatment Plant Operations. As this added Treatment FTE was only budgeted for a portion of 2022, but the full year in 2023, labor expenses are projected to increase by 10%.
- ❖ A decrease of 10.3% in general and administrative expenses is projected for 2023 which is primarily due to decreased engineering fees which were incorporated in 2022 and offset by grant funding. The contingency fund will remain in the amount of \$100,000 to cover any unexpected expenses associated with maintenance, repairs, or professional services that are unplanned and necessitated.
- ❖ The 2023 total operating expenditures are projected to increase by 2.6% over the 2022 budgeted expenses.



2023 Operating & Capital Expenditures



- ❖ Capital Expenditures budgeted for 2023 are \$0.965 million or 22% of the overall budget expense, an increase of 37% over 2022, however this increase is primarily driven by 2022 capital projects that will be delayed to 2023..

- ❖ Capital Improvement Recommendations

CIP recommendations were derived from sewer system model analysis and future growth estimates. The recommendations include system modifications such as new sewers, replacement of parallel sewers, and improvements to redirect flows to sewers with more available capacity.

Improvements for rehabilitation are based on the Asset Management Rating Analysis. Timing of the projects will be based on the impact of higher flows caused by new development and funding availability. Table 1 shows the recommended CIP projects with conceptual level costs and the estimated year when the projects should take place.



Table 1: Summary of Recommended Capital Improvement Projects

CIP #	Estimated Year	(2017 \$'s)	(Inflated \$'s)	Project Description
1	2020	\$ 1,065,000	\$ 900,000	22,000 feet of Cured in Place Pipe Liner Rehabilitation – COMPLETED
2	2020	\$100,000	\$100,000	Infiltration and Inflow rehabilitation – COMPLETED
3	2020	\$85,000	\$85,000	Mesa County E Road Improvement project – COMPLETED
4	2020	\$120,000	\$120,000	Mesa County Smallwood Improvement project – COMPLETED
5	2022 - 26	\$ 1,200,000	\$ 1,200,000	\$200,000/Year CIPP Project – In Progress
6	2022	\$ 681,912	\$ 756,048	Highway 6 Phase I – In Progress
7	2024	\$ 450,576	\$ 517,046	Highway 6 Phase II
8	2024	\$ 751,464	\$ 956,072	Eastern extension along D ½ Rd.
9	2026	\$ 1,070,496	\$ 1,458,976	Highway 6 extension east of 33 Rd.
10	2030	\$ 827,769	\$ 1,294,594	D ½ Rd Sewer Replacement.

Inflated dollars represent actual costs in the predicted year of the CIP. It is difficult to estimate the actual value of inflation due to changing construction costs, an inflation of 3.5% was assumed for this analysis.

❖ **Rehabilitation Recommendations**

Rehabilitation costs vary with project requirements. For planning and budgeting purposes, the 2023 budget is projecting a total of \$502,578 to address the following rehabilitation projects in the collection system.

Typical projects may include the following:

1. In-Situ lining of existing sewers
2. Pipe bursting to replace existing sewer
3. Cut and cover replacement of sewers
4. Open cut point repair of sewers
5. Manhole lining
6. Manhole point repairs

Summary of the Capital Improvement Projects for 2023

Treatment Plant:

1. Treatment Plant Replacement and Upgrades –

The District budget for 2023 includes replacement of two end of life air handling units, upgraded replacement mixing for one of the treatment



basins and a controls system upgrade for the aeration blowers for a total of \$386,375.

General maintenance notes:

- A \$15,000 contingency is included in Plant Wide Treatment R&M for unanticipated equipment failure.

Collection System Replacement and Upgrades – Annual projects generated involving upgrades to or replacement of facilities and additions or extensions of existing facilities in response to ongoing development which is compatible with the District’s capital planning. The 2023 budget has identified \$502,578 for collection system capital projects.

1. Unplanned Projects –

This line item allows the district some flexibility for projects that are unplanned that occur during the year. Examples include projects for developments that will allow the District to take advantage of development construction and coordination with that development to eliminate or change manholes, upgrade line size or replace some sections that would otherwise be duplicating sections that are not necessary. Mesa County projects that are unplanned for or their capital improvement project schedules are modified and require our participation would also fall into this category. This budget item also covers unexpected emergency collection system repairs that may take place throughout the budget year. The 2023 budgeted amount is \$50,000.

2. Annual Inflow & Infiltration Replacements –

These projects are for the continuing work on the inflow and infiltration problems in specific areas. Problem areas will be assessed with closed circuit camera inspection. The total budget is \$55,380 for manhole rehabilitation.

3. Cured-In-Place Pipe (CIPP) Rehabilitation –

Approximately 3,800 lineal feet are budgeted for 2023 in the amount of \$367,198. This project was delayed from 2022 and is included in the 2023 budget for completion.

4. Highway 6 Sewer Line Replacement –

This is a multi-agency joint project primarily to upgrade sidewalk and roadway in the area, however the District will be upgrading adjacent sewer infrastructure during the project to take advantage of decreased



installation cost due to the scope of the overall project. The Districts portion of this project is budgeted to be \$30,000.

Equipment and Vehicles – This is for the replacement of existing vehicles and equipment that have exceeded their useful life and the addition of new equipment necessary to maintain the sanitary sewer system and treatment plant. The 2023 budget includes \$76,000 for equipment and vehicles to replace a field service pickup and facility maintenance UTV. The budget also includes a \$10,000 line item for miscellaneous equipment implements.