

LA PLATA WEST WATER AUTHORITY

BUDGET MESSAGE 2016 BUDGET

The La Plata West Water Authority budget for the calendar year 2016 is attached. The Authority was formed in November 2007 and started operations in January 2008.

The Authority was organized to design, build, and operate a rural domestic water system (RDWS) to provide domestic water service to portions of southwestern La Plata County and northern New Mexico. A preliminary engineering report and project overview have been prepared to provide a basic outline of how the RDWS could be developed.

During 2008, the Authority obtained funding consisting of grants and a bridge loan to design and construct a water intake structure at Lake Nighthorse which was the first significant construction phase of the RDWS. The intake structure cost was approximately \$5.6 million of which approximately \$ 2.5 million was expended in 2008 with the balance of \$3.1 million expended in 2009. The intake structure project was completed in July 2009. Funding of the intake structure cost came from grants from the State of Colorado, Southwestern Water Conservation District and a short-term bridge loan from the Colorado Water Resources and Power Development Authority. The short-term bridge loan was repaid in 2009 and 2010 from investments by the Southern Ute Indian Tribe and Ute Mountain Tribe of \$3 million and \$1.5 million, respectively. These funds were obtained by the Tribes from Resource Funds provided to the Tribes by the Colorado Ute Settlement Act of 2000.

During 2010, the Authority's primary activity was the preparation of a USDA application requesting funding to construct part or all of the remaining RDWS with an estimated total cost of approximately \$35.4 million. The preliminary application was submitted to the USDA in early December 2010.

In March of 2011, the Authority submitted a grant application to the Bureau of Reclamation for appraisal study funding which would provide a basis for feasibility funding and possible Federal appropriations for the project. The application was not successful, but ranked highly among submitted projects and the Authority has been encouraged by the BOR to re-submit an updated application in 2012. During the fall of 2011, the Authority was informed by USDA that funds for the entire project would not be available and encouragement was given to identify additional funding sources to augment available USDA funding. Subsequent to an update presentation in December of 2011 to USDA and various Colorado state funding agencies, discussions regarding the phased development of the project have begun in parallel with ongoing negotiations with the Southern Ute Indian Tribe, Ute Mountain Ute Tribe and Lake Durango Water Authority pertaining to operating agreements for the intake structure.

During the early part of 2012, and subsequent to LPWWA's first application review with Colorado Department of Public Health and Environment's associated Water Quality Revolving Fund it was determined that LPWWA's project did not qualify for funding.

During 2013 the Authority finalized Memorandum of Understanding for the intake structure with the Southern Ute Indian Tribe and the Ute Mountain Ute Tribe. La Plata West Water Authority has nearly completed an operating agreement with Lake Durango Water Authority to use a portion of LPWWA's capacity in the intake structure. LPWWA has hired the engineering firm of Bartlett and West to develop a phased approach for the construction of the project, re-engage our community and design a water delivery system using a 'Phase' approach to help find and qualify for funding. LPWWA is in process of reaching out to the community to garner additional support to increase the density and make the project more feasible.

In 2014, LPWWA was successful in securing grant funding from the Southwest Water Conservation District. This funding is being used to further our efforts to research rights of way, implement a GIS system, perform cultural resource investigation, and other preliminary survey functions to serve the Phase 1 portion of the proposed project. LPWWA was successful in reaching agreements with the Southern Ute Indian Tribe and the Ute Mountain Ute Tribes as well as Lake Durango Water Authority to construct a Raw Water Pipeline from Lake Nighthorse to Lake Durango. Both Tribes contributed 1 million dollars each, and Lake Durango has contributed up to 1.5 million towards the design and construction of the Raw Water Pipeline. The Tribes share an interest in getting the water from the lake to the county road but LPWWA and LDWA will construct the pipeline the rest of the way from County Road 210 to Lake Durango. The final Design for the Raw Water Project is ready to go to bid this October or November. The Preliminary Engineering Report (PER) Pipeline for Phase 1, which is complete and ready for submittal to the funding agencies. The collection of easements and the Environmental & Cultural reports are currently being scheduled to begin this fall. Phase 1 PER identifies a need for 200 total tap purchases, and identifies the tap purchase price which serves as a basis for the rate structure and funding application. The Ute Mountain Ute Tribe is strongly supporting our efforts and is pursuing a USDA grant component to join our Phase 1 project, which will strengthen our position in the funding process. Funding applications will be sent to USDA as well as the Colorado Department of Public Health and Environment for consideration.

Construction of the Raw Water Pipeline will be a major undertaking for the authority in the winter of 2015 and spring of 2016. LPWWA has secured a grant from Colorado Water Conservancy Board (CWCB) for \$500,000 to enlarge a portion of the raw water pipeline that will allow for future RDWS needs. LPWWA has been successful in securing grants from Animas La Plata Water Conservancy District and CWCB of \$25,000 each for 2016 and 2017. These funds are for pre-construction costs for our Phase 1 RDWS project. If the Authority is successful with its funding application with USDA, it will begin construction processes of Phase 1 Municipal water system in the summer of 2016. We believe we have accurately budgeted for all of the activities which may take place in 2016. If the need arises or we identify a need to amend the budget it will be completed through the formal process.

LPWWA is being given an opportunity to work with Colorado Water Resources and Power Development Authority on a repayment plan of interest debt that has been on both our books.

The Authority utilizes the modified accrual basis of accounting. The Authority is not subject to TABOR since it has no power to levy taxes or hold elections on TABOR issues.

La Plata West Water Authority

2016 BUDGET

Year Ended December 31

	2013	2014	2015	2016
	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ESTIMATED</u>	<u>BUDGET</u>
Accumulated fund balance - January 1	\$ 57,636	32,698	2,105,679	3,452,548
REVENUES AND OTHER ITEMS PROVIDING CASH FLOW				
Southwestern Water Conservation District grant		114,500		
Animas La Plata Water Conservancy District grant	15,000			25,000
Colorado Water Conservation Board Grant Pre-construction				25,000
Colorado Water Conservation Board Grant Pipeline Enlargement				500,000
Grant funds - state, county, other political subdivisions				0
Interest income and other income (charged-Finance fees & Transfer fees)	387	4,537	726	500
Ute Mountain Ute Tribe Resource Fund investment in 210 water pipeline		1,000,000		0
Southern Ute Indian Tribe Resource Fund investment in 210 water pipeline		1,000,000		0
Lake Durango Water Authority Funding for 210 water Pipeline		15,013	112,341	1,372,646
Lake Durango Water Authority Funding Entire Project Costs		0	76,768	856,232
Lake Durango Water Authority Funding for Lake Durango Water Pipeline Segment		0	0	443,768
USDA loan for funding Phase I domestic water system		0	0	1,700,000
Water tap fee subscriptions from users of Phase I domestic water system Due 12/31		0	1,700,000	1,700,000
Ute Mountain Ute Tribe Phase 1 Trunk-Line Enlargement Project		0	7,000	1,500,000
Total revenues	15,387	2,134,050	1,896,835	8,123,146

EXPENDITURES AND OTHER ITEMS USING CASH FLOW

Operating:

Insurance and Pre-Paid 2016	9,958	9,553	13,641	4,000
Professional services				
Legal, administration, operating agreements & authority documents	13,875	10,648	1,395	20,000
Accounting - Audit		0	6,250	8,000
Geographic information	2,055	12,572	2,500	4,000
Lake Durango Raw Water pipeline Segment (pre-construction, construction, design and engineering)		0	0	367,000
Tribe's 210 water pipeline (pre-construction, construction, design and engineering) from Ute Tribe Resource Funds		11,787	308,920	1,679,293
Ute Mountain Ute Tribe Phase 1 Trunk-Line Enlargement Project			7,000	1,500,000
Other expenses	2,696	1,622	1,685	3,000
Total Operating Expenditures	28,584	46,182	341,391	3,585,293

CAPITAL COSTS

Phase I domestic system				1,680,534
Phase I domestic water system -interest cost during construction on USDA loan	-		0	6,000
210 water Pipeline - design, engineering and construction	-	15,013	112,341	1,872,646
125 water Pipelines - design, engineering and construction			76,768	856,232
125 water Pipeline - enlargement				500,000
Phase One Engineering, environmental, and easement acquisition costs	19,773	0	19,466	78,877
Miscellaneous Equipment purchase	(604)		0	500
Total Capital Expenditures	19,169	15,013	208,575	4,994,789

DEBT SERVICE

Decrease (increase) in accounts payable and accrued expenses	2,125	(126)	0	5,000
Total Debt Service	2,125	(126)	0	5,000

Total expenditures	49,878	61,069	549,966	8,585,082
Increase (decrease) in fund balance	(34,491)	2,072,981	1,346,869	(461,936)
Pre-paid insurance	9,553	0		
Accumulated fund balance - December 31	\$ 32,698	2,105,679	3,452,548	2,990,612

Accumulated fund balance represents
balance in bank accounts (not including water tap deposit accounts)

Composition of ending fund balance as of December 31:

Operating cash bank account		32,682	116,988		
Bank account amount earmarked for pipeline construction (not available for normal operating costs)		0	1,988,691		
Total accumulated fund balance		32,682	2,105,679	0	0