

**HILLCREST WATER & SANITATION DISTRICT**

7995 E. Prentice Avenue, Suite 103E

Greenwood Village, Colorado 80111

(303) 381-4960

(303) 381-4961 (FAX)

October 5, 2017

Boards of Directors

Mansfield Heights Water & Sanitation District

Cherry Hills North Metropolitan District

Cherry Hills Village Sanitation District

Devonshire Heights Water & Sanitation District

RE: Hillcrest Water & Sanitation District  
2017 Annual Report

Dear Board Members:

Pursuant to the provisions of the Second Amended and Restated IGA, please find attached Hillcrest's Annual Report relating to the Outfall Line. The Annual Report has been updated to include 2017 Outfall Line expenditures, including an estimate of expenses remaining with respect to 2017. Also, the proposed 2018 budget is included in this letter for your review and comment.

**Annual Highlights**

**State Revolving Fund Loan:** The debt service schedule is fully consistent with that sent to you one year ago. The Outfall Line participating districts, including Hillcrest, are responsible for 43% of the debt service payment. The other 57% relates to work done by Hillcrest within its service area.

**Treatment Fees:** The 2018 treatment fees from Metro Wastewater are decreasing from the 2017 fees. The 2017 treatment fees were \$186,936, which included significant prior year adjustments, and the 2018 invoice is for \$157,388 – a decrease of \$29,548. After outsized adjustments for 2015 & 2016 led to unprecedented high charges from Metro Wastewater for 2017, their planned charges for 2018 appear to be settling back into more normally increasing levels. Table 1 outlines the recent history of these treatment fees, showing the outsized impact of adjustments on both 2016 (very favorable) and 2017 (dramatically above annual estimate). Included with this is the 2018 calculation provided by Metro.

**Table 1 Summary of Metro Wastewater Treatment Fees**

District	2016 Fees	2017 Fees	2018 Fees
Hillcrest	\$ 21,868	\$ 73,279	\$ 61,696
Mansfield	\$ 12,328	\$ 41,313	\$ 34,783
Devonshire Heights	\$ 2,901	\$ 9,721	\$ 8,184
Cherry Hills North	\$ 10,878	\$ 36,453	\$ 30,691
Cherry Hills Village	\$ 7,810	\$ 26,171	\$ 22,034
Total Metro Wastewater Fees	\$ 55,785	\$ 186,936	\$ 157,388

**Flooding Update:** As you know, during the week of June 9, 2015, we experienced excessive rain in a very concentrated period, which resulted in sewage flooding of several homes within the Outfall Line service area. This added volume was also materially responsible for our high 2017 Metro Wastewater treatment fees. Since that time, Hillcrest and Mansfield have requested meetings with all five outfall line participating districts to discuss infiltration and inflow into the Outfall Line.

In 2016, the Mansfield Board approved and completed projects to inspect for illegal pump sumps connected to the sewer service, as well as paid for the video-taping and cleaning of residential service lines. Mansfield found 8 illegal sump pumps (this constitutes 5% of the Mansfield homes) connected to the sewer system. The homeowners were required to disconnect or daylight the connections. All homeowners have complied.

During 2017, the Hillcrest Board approved and substantially completed a project to inspect for illegal sump pumps connected to the sewer service. Hillcrest found 12 illegal sump pumps (this constitutes 4% of the Hillcrest homes) connected to the sewer system. The homeowners were required to disconnect or daylight the connections. To date, Hillcrest has had approximately 97% compliance by its homeowners.

**Flood Discussion:** Based on the results of Mansfield’s and Hillcrest’s inspections, for illegally connected sump pumps, both Boards believe that those illegal connections were responsible, in substantial part, for the 2015 flooding. **Both Mansfield and Hillcrest feel strongly that each of Cherry Hills North, Devonshire and Cherry Hills Sanitation should also inspect each of their served homes for sump pumps connected to the sewer system.** Hillcrest expects to impose such inspections in 2019 if they are not conducted by the end of 2018.

In addition, Hillcrest’s Board is continuing to consider a metering program to better understand flows into the Outfall Line from each of our Districts. This annual expense could be in excess of \$50,000 and since it pertains to the Outfall operations, would be allocated entirely to the five Outfall partners.

**2017 & 2018 Budgets:** The following four tables can be used in the preparation of your 2018 budget. In addition to Treatment Fees covered above, the two principal components of the Outfall budget are annual Operating and Maintenance and the Outfall’s share of the State Loan associated with the 2013 capital projects. Table 2 shows what Operations and Maintenance costs are expected to be in 2017 vs. what was budgeted to be spent in 2017. These figures include the SRF Loan repayment allowable to the Outfall Line which remain the same annually.

**Table 2 Summary of Estimated 2017 Operation, Maintenance & Loan Service Costs vs. Budget**

<u>District</u>	<u>Estimate</u>	<u>Budget</u>
Hillcrest	\$ 6,755	\$ 6,643
Mansfield	3,808	3,745
Devonshire Heights	896	881
Cherry Hills North	3,360	3,305
Cherry Hills Village	2,413	2,373
Total estimated 2017	<u>\$ 17,233</u>	<u>\$ 16,947</u>

As reflected in Table 3 and 4 below, in addition to the Outfall Line member’s share of the SRF loan payment of \$14,447, there is \$3,000 budgeted to cover general engineering and administration of the

Outfall Line in 2018. As noted above, the Hillcrest Board is still evaluating a metering program that could dramatically change those numbers in future years. It should also be noted that (1) the 2016 video review indicated that 19 manholes within the Outfall Line are in some level of need for repair; and (2) because of higher than previously observed levels of sludge buildup (possibly due to the 2015 flood), we expect to jet clean the Outfall Line every other year instead of every fourth year. The costs of rehabbing the deteriorated manholes have been estimated at \$59,570. Due to the large 2017 increase in service treatment fees from Metro, the Hillcrest Board determined to defer that maintenance until after 2017. The jet cleaning cost, estimated at \$7,500, is expected to impact the 2018 budget as detailed below. Also, during the 2016 video review, 30 service lines, located in Devonshire, were identified as having some level of need for repair. Those homeowners received a letter from Hillcrest regarding potential issues with their service lines.

**Table 3 Outfall Line 2018 Budget Charges to Districts**

District	O&M	Jet Cleaning	SRF	Total
Hillcrest	\$ 1,176	\$ 2,940	\$ 5,663	\$ 9,779
Mansfield	663	1,658	3,193	5,514
Devonshire Heights	156	390	751	1,297
Cherry Hills North	585	1,463	2,817	4,865
Cherry Hills Village	420	1,050	2,023	3,493
Outfall total budget charges	<u>\$ 3,000</u>	<u>\$ 7,500</u>	<u>\$ 14,447</u>	<u>\$ 24,947</u>

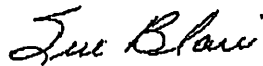
**Table 4 Summary of 2018 Budget Expenditures for the Outfall Line**

Administration	\$ 3,000
Jet Cleaning	7,500
SRF- Debt service	14,447
Outfall total budget expenditures	<u>\$ 24,947</u>

Pursuant to the terms of the IGA, please respond to me, in writing, with any questions or concerns you may have, no later than November 1, 2017. My email address is: [sblair@crssofcolorado.com](mailto:sblair@crssofcolorado.com).

Very truly yours,

**HILLCREST WATER & SANITATION DISTRICT**



Sue Blair  
District Manager

Attachments: 2017 Annual Report  
Outfall Line Reserve Account Statement as of August 2017

Hillcrest Water & Sanitation District  
 Outfall Line Expenses Shared by All Districts

2017 ANNUAL REPORT

Billed to Districts for 2017

Invoice Date	Invoice Number	Check Number	Date	Service Provider	Outfall Invoice Amount
2/7, 3/2	8945, 7008	1764	3/21/2017	CRS	\$ 476.60
2/2	108887	1767	3/21/2017	Kennedy/Jenks Consultants	96.82
3/7	583444	1769	3/21/2017	Spencer Fane	150.00
4/10	7091	1778	6/20/2017	CRS	1,147.05
		Wire	4/27/2017	State - Loan payment	7,224.00
<b>Subtotal</b>					<b>\$ 9,094.47</b>

Hillcrest 39.2%	Mansfield 22.1%	Devonshire 5.2%	CH North 19.5%	CH Village 14.0%	Total 100.0%
186.83	105.33	24.78	92.94	66.72	476.60
37.95	21.40	5.03	18.88	13.55	96.82
58.80	33.15	7.80	29.25	21.00	150.00
449.64	253.50	59.65	223.67	160.59	1,147.05
2,831.81	1,596.50	375.65	1,408.68	1,011.36	7,224.00
<b>3,565.03</b>	<b>2,009.88</b>	<b>472.91</b>	<b>1,773.42</b>	<b>1,273.23</b>	<b>9,094.47</b>

Estimated Amounts Remaining to be Billed for 2017

Administrative Expenses	\$ 915.00
Maintenance Expense	-
Engineering Expenses	-
State - Loan payment	7,224.00
<b>Subtotal</b>	<b>\$ 8,139.00</b>

Hillcrest 39.2%	Mansfield 22.1%	Devonshire 5.2%	CH North 19.5%	CH Village 14.0%	Total 100.0%
358.68	202.22	47.58	178.43	128.10	915.00
-	-	-	-	-	-
-	-	-	-	-	-
2,831.81	1,596.50	375.65	1,408.68	1,011.36	7,224.00
<b>3,190.49</b>	<b>1,798.72</b>	<b>423.23</b>	<b>1,587.11</b>	<b>1,139.46</b>	<b>8,139.00</b>

TOTAL ESTIMATED CHARGES TO BE BILLED IN 2017

<b>6,755.52</b>	<b>3,808.60</b>	<b>896.14</b>	<b>3,360.53</b>	<b>2,412.69</b>	<b>17,233.47</b>
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Account Statement

August 2017

Hillcrest Outfall Line Committee

7995 E Prentice Ave Ste 103E  
 Greenwood Village, CO 80111  
 U.S.A.

COLOTRUST PLUS+      CO-01-0915-8001

Summary

Average Monthly Yield: 1.20%

		Beginning Balance	Contributions	Withdrawals	Income Earned	Average Daily Balance	Month End Balance
CO-01-0915-8001	RESERVE FUND	5,174.91	0.00	0.00	5.26	5,177.69	5,180.17

Transactions

Transaction Date	Transaction Description	Contributions & Income Earned	Withdrawals	Balance	Transaction Number
08/01/2017	Beginning Balance			5,174.91	
08/31/2017	Income Earned For The Period	5.26			
08/31/2017	Ending Balance			5,180.17	