

HILLCREST WATER & SANITATION DISTRICT

7995 E. Prentice Avenue, Suite 103E

Greenwood Village, Colorado 80111

(303) 381-4960

(303) 381-4961 (FAX)

October 5, 2018

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
2018 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 2018 Outfall Line expenditures, including an estimate of expenses remaining with respect to 2018. Also, the proposed 2019 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 2019 treatment fees from Metro Wastewater are increasing from the 2018 fees to \$173,216. This is an increase from the \$157,388 the previous year. There are also adjustments from 2017 and 2018 charges totaling \$37,374. Table 1 outlines the recent history of these treatment fees, showing the outsized impact of adjustments on 2019 fees. Included with this is the 2019 calculation provided by Metro.

Table 1 Summary of Metro Wastewater Treatment Fees

District	2017 Fees	2018 Fees	2019 Fees
Hillcrest	\$ 69,727	\$ 58,706	\$ 78,550
Mansfield	\$ 41,313	\$ 34,783	\$ 46,540
Devonshire Heights	\$ 13,272	\$ 11,175	\$ 14,952
Cherry Hills North	\$ 36,453	\$ 30,691	\$ 41,065
Cherry Hills Village	\$ 26,171	\$ 22,034	\$ 29,483
Total Metro Wastewater Fees	\$ 186,936	\$ 157,388	\$ 210,590

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. Discussion continues regarding causes around this flooding. Meetings have been proposed and requests have been made for all Districts to participate in sump pump inspections. At this time not all Districts are interested in participating in such a discussion so no meetings will be held.

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 and 2018, the Hillcrest Board approved and completed a project to inspect for illegal sump pumps connected to the sewer service. Hillcrest found 14 illegal sump pumps (this constitutes 5% 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 99% compliance by its homeowners.

Devonshire has represented that they will begin an evaluation process of sump pumps and connections to the sewer line to assist in the goal of disconnecting sump pumps from the sewer system.

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 some part, for the 2015 flooding. **Both Mansfield and Hillcrest feel strongly that each of Cherry Hills North 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.

2018 and 2019 Budgets: The following four tables can be used in the preparation of your 2019 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 2018 vs. what was budgeted to be spent in 2018.

Table 2 Summary of Estimated 2018 Operation, Maintenance vs. Budget

<u>District</u>	<u>Estimate</u>	<u>Budget</u>
Hillcrest	\$ 4,312	\$ 4,115
Mansfield	2,429	2,321
Devonshire Heights	571	546
Cherry Hills North	2,143	2,048
Cherry Hills Village	1,539	1,470
Total estimated 2018	<u>\$ 10,994</u>	<u>\$ 10,500</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 2019. 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 repairing 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. Video inspection and the associated engineering cost is estimated at \$15,500 for 2019.

Table 3 Outfall Line 2019 Budget Charges to Districts

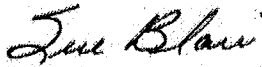
<u>District</u>	<u>O&M</u>	<u>SRF</u>	<u>Total</u>
Hillcrest	\$ 7,057	\$ 5,663	\$ 12,720
Mansfield	3,978	3,193	7,171
Devonshire Heights	936	751	1,687
Cherry Hills North	3,509	2,817	6,326
Cherry Hills Village	2,520	2,023	4,543
Outfall total budget charges	<u>\$ 18,000</u>	<u>\$ 14,447</u>	<u>\$ 32,447</u>

Table 4 Summary of 2019 Budget Expenditures for the Outfall Line

Administration	\$ 2,500
General Engineering	500
Engineering- Video Inspection	2,500
Video Inspection & Maintenance	12,500
SRF- Debt service	14,447
Outfall total budget expenditures	<u>\$ 32,447</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, 2019. My email address is: sblair@crsofcolorado.com.

Very truly yours,
HILLCREST WATER & SANITATION DISTRICT



Sue Blair
District Manager

Attachments: 2018 Annual Report
Outfall Line Reserve Account Statement as of August 2018

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

2018 ANNUAL REPORT

Billed to Districts for 2018

Invoice Date	Invoice Number	Check Number	Date	Service Provider	Outfall Invoice Amount
2/6/18	7718	1836	3/20/18	CRS	346.00
3/6/18	7799	1836	3/20/18	CRS	345.57
2/8/18	626140	1833	3/20/18	Spencer Fane	1,102.00
		Wire	4/27/17	State - Loan payment	7,224.00
				Adjustment	(0.22)
Subtotal					9,017.35

Hillcrest 39.2%	Mansfield 22.1%	Devonshire 5.2%	CH North 19.5%	CH Village 14.0%	Total 100.0%
135.63	76.47	17.99	67.47	48.44	346.00
135.46	76.37	17.97	67.39	48.38	345.57
431.98	243.54	57.30	214.89	154.28	1,102.00
2,831.81	1,596.42	375.63	1,408.61	1,011.31	7,223.78
2.55	(0.93)	(0.23)	(0.81)	(0.58)	-
3,537.44	1,991.87	468.67	1,757.55	1,261.83	9,017.35

Estimated Amounts Remaining to be Billed for 2018

Administrative Expenses	750.00
Maintenance Expense	7,500.00
Engineering Expenses	500.00
State - Loan payment	7,224.00
Subtotal	15,974.00

Hillcrest 39.2%	Mansfield 22.1%	Devonshire 5.2%	CH North 19.5%	CH Village 14.0%	Total 100.0%
294.00	165.75	39.00	146.25	105.00	750.00
2,940.00	1,657.50	390.00	1,462.50	1,050.00	7,500.00
196.00	110.50	26.00	97.50	70.00	500.00
2,831.81	1,596.50	375.65	1,408.68	1,011.36	7,224.00
6,261.81	3,530.25	830.65	3,114.93	2,236.36	15,974.00

TOTAL ESTIMATED CHARGES TO BE BILLED IN 2018

\$	9,799.25	5,522.12	1,299.31	4,872.48	3,498.19	24,991.35
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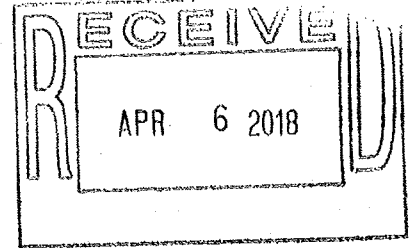


**COLORADO WATER RESOURCES &
POWER DEVELOPMENT AUTHORITY**

Logan Tower Bldg - Suite 620, 1580 Logan Street, Denver, Colorado 80203-1942
303-830-1550 • Fax 303-832-8205 • info@cwprda.com

April 9, 2018

Sue Blair
Hillcrest Water & Sanitation District
Community Resource Service
7995 E. Prentice Avenue, #103E
Greenwood Village, CO 80111



RE: Colorado Water Resources and Power Development Authority
Water Pollution Control Revolving Fund Loan Program

Dear Sue Blair:

Below is a breakdown of your loan repayment due: **May 1, 2018**

Loan Number	Principal	Interest	Total
W13F311	\$12,326.92	\$4,472.20	\$16,799.12
Total amount due	\$12,326.92	\$4,472.20	\$16,799.12

Wire and ACH (Automatic Clearing House) Instructions

Please note: If the ACH form requires a payment type, select "DDA".

RBK: U.S. Bank N.A.
ABA: 091000022
BNF: USBANK Trust NA
777 E. Wisconsin Avenue
Milwaukee, WI 53202-5300
ACCT NO: 104792954745
Ref No: 10508404

**Per the loan agreement, this
loan is not payable by check.**

If you have other loans with the Authority in other programs, please remit separate payments for each program as specified by the Loan Agreement or loan repayment letter. You will receive separate loan repayment letters for each program.

If you have any further questions, or you are unable to comply with this procedure, please call me prior to the payment date at (303) 830-1550 extension 1017. Additionally, please notify me of any address changes by e-mail at rtesch@cwprda.com or by phone at the number listed above.

Sincerely,

Rachel Tesch
Accountant

Cc: Jennifer Petrino, Jennifer.Petrino@usbank.com
Lucy Vang, lucy.vang@usbank.com