



Colorado River District

Protecting Western Colorado Water Since 1937

MEMORANDUM

July 3, 2017

TO: BOARD OF DIRECTORS, CRWCD

FROM: ERIC KUHN *EK*

SUBJECT: *GENERAL MANAGER BUDGET, TRANSITION ISSUES AND INFORMATIONAL ITEMS*

1. 2018 Budget

Between now and early September staff will be completing our staff draft budget for review by the Board at the September 14th Board budget workshop. The Board would then hold budget hearings and take formal action on the budget at its October quarterly meeting. Since the Board will be very focused on interviews, I thought it would be helpful to have a discussion of some of the budget issues at the July meeting.

a. Assessed Valuation/Mill Levy

Ian has been examining this in detail. Our assessed valuation will be impacted by four different factors: It's a reassessment year for home values (actually it's the first year that the July 1, 2016 reassessment will affect our budget. In general, home values have gone up, especially in the resort counties. The assessment for my home increased by 18%. However, the "Gallagher" amendment correction factor decreased by 7% (from .079 to .072). This will offset some (or most) of the increased home values. The third factor is the value of oil and gas revenues which is expected to drop again. The fourth and final factor is new construction which has been healthy along the I-70 corridor, but flat in other areas of the River District. We won't know the final numbers until late August. If our net assessed valuation goes down, our tax revenues for 2018 will go down. We have no room to increase the mill levy (we had no temporary rebate for 2017).

I expect that our revenues for 2018 will be flat or slightly decreased. This would be the seventh straight year (beginning with 2012) that our General Fund revenues have been basically flat.

Despite flat revenues, our cash flow remains stable. At the end of 2016, we transferred \$700,000 to the Capital Projects Fund. This is much higher than we anticipated when we prepared the 2017 budget (\$0).

b. Personnel Costs

Staff costs are the major component of the General Fund budget (salaries and overhead). For staff salary increases, we use information from the Mountain States Employer Council (MSEC) as a guide. Overall, unemployment levels have been very low in Colorado, thus wage increases have been accelerating slightly. The preliminary number from MSEC for resort areas is 3.2%. NOTE, the next formal triennial salary survey is due in 2018.

Health insurance is another major cost (it's part of salary overhead). The Board's policy is to maintain the annual increase to the River District at less than 5% over a 5-year running average. If we exceed that 5%, we have to reduce benefits and/or increase employee contributions to stay below 5%. For new Board members, our program is a group that is self-insured with stop-loss reinsurance. So far in 2017, the group's cash flow and reserves are very healthy. However, it could change by the end of the year. Since there is considerable uncertainty as to what Congress might do, we may be in for some surprises. Our hope is we won't see much of an increase for 2018, but we don't know yet. Overall, I expect that personnel costs will be flat or decrease slightly due to changes in personnel.

c. Enterprise Fund

With all of the Enterprise debt paid, and (hopefully) no major expenditures at Wolford Mountain Reservoir in 2018 (there will be in 2017), it will be a good to assess the stability of the Enterprise Fund. We've had an increase in the number of water contract cancellations this year (we always have a few).

I have already suggested that an early task for next General Manager should be to make a long-term strategic assessment of the Enterprise. It has substantial water assets that are not currently utilized.

d. Capital Projects Fund

An issue we need to evaluate is the level of funding for the grants program. Financially, I believe we could increase the available funding. A second option might be a targeted large grant for the Grand Valley Project pilot program.

e. General Manager Transition

I want to reiterate that I'm flexible, but for budgeting purposes, I'd like to stay with what I told the Board in January. I would step down as general manager at the January 2018 board meeting. My last day in the office would be about February 9-14. I would then be on vacation (as our personnel policy provides) until it runs out. Subject to the discretion of new general manager I would be available to work a day here or there until the vacation period is over.

2. Informational Items

a. Grand Avenue Bridge Construction

Beginning on August 14th, there will be no traffic over the Grand Avenue bridge. It is being demolished so the new bridge can be finished (around Thanksgiving, hopefully). During this period the only access across the Colorado River will be via two-lane Midland Avenue (West Glenwood exit). Getting to and from work will be very difficult and could take quite a bit of time. There will be disruptions to the staff. Our October board meeting will be at the River District office (new meeting room).

b. Colorado Water Congress Summer Conference

The CWC summer conference has been moved at the last minute from Vail to Steamboat Springs/ Please contact Laurie if you plan to attend and she'll handle your registrations.

REK/ldp