

2019 WASTEWATER RATE STUDY

For

FOUNTAIN SANITATION DISTRICT

October 2019

**GMS, Inc.
Consulting Engineers**

2019 WASTEWATER RATE STUDY

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SECTION I EXECUTIVE SUMMARY

In May 2019, the Fountain Sanitation District (FSD) commissioned this 2019 Wastewater Rate Study. The purpose of this effort was to examine the cost of service and required user charges applicable to all customers receiving services from the District. In addition, the plant investment fees, also commonly referred to as tap fees, were to be examined and changes recommended if necessary.

A. BACKGROUND

The Fountain Sanitation District owns and operates a centralized wastewater management system providing services to its customers in the City of Fountain corporate limits and the surrounding areas of central El Paso County, Colorado. The District operates a wastewater collection system along with an advanced secondary wastewater treatment facility, commonly referred to as the Richard J. Christian, II wastewater treatment facility (RJCII WWTF). It is also a part owner, to the extent of 75% of capacity, of the Harold D. Thompson Regional Water Reclamation Facility (HDTRWRF) operated by the Lower Fountain Metropolitan Sewage Disposal District (LFMSDD). The District operates as a statutory special district separate and apart from any other governmental or utility organization.

B. EXISTING FINANCIAL CONDITIONS

The District receives revenues from ad valorem and personal property taxes assessed through the El Paso County assessor and treasurer. In addition, it assesses wastewater user charges to each customer connected and receiving services from the District. Plant investment fees are a one-time payment by new connections to the District's system as a purchase of assets required to provide the infrastructure to provide services to that customer in perpetuity.

The District has entered into a service agreement with the LFMSDD whereby the FSD provides labor and certain other services for the operation of the HDTRWRF. It receives revenue from the LFMSDD at the direct cost expended by the FSD for operation of that facility. The District also receives revenues in the way of investment earnings on deposited funds.

The District utilizes those revenues to operate, maintain, renew and replace its existing wastewater collection and treatment systems. Generally plant investment fees and/or debt funding is used to provide improvements and additional capacity or additional treatment capability to the RJCII WWTF. It also uses those revenues to compensate the LFMSDD for its proportional ownership in the HDTRWRF and the LFMSDD interceptor when there are capital improvements or renewals and replacements required for those facilities.

C. COST OF SERVICE ANALYSIS

The District has historically utilized a "cost of service" approach for the evaluation of user charges. That approach evaluates each element of cost required for the operation of the District and provision of services to its constituents. It makes reasonable projections, both short-term and long-term, to project revenue needs, including periodic renewals, replacements and capital improvements.

As a result of this 2019 Wastewater Rate Study, the average projected cost of service for years 2020 and 2021 are shown below.

TABLE I-1
SUMMARY - FSD COST OF SERVICE BY SERVICE UNITS
WITHOUT DEBT SERVICE

Service Unit	Unit Cost		Total - Operations and Renewals & Replacements
	Operations Only	Renewals & Replacements	
Volume, per 1,000 gallons	\$2.508	\$2.282	\$4.790
BOD ₅ , per lb.	\$1.063	\$0.235	\$1.299
BOD ₅ , per 1000 gallons	\$2.263	\$0.500	\$2.763
TSS, per lb.	\$0.441	\$0.125	\$0.566
TSS, per 1000 gallons	\$0.884	\$0.251	\$1.135
Customer Service per Account per Year	\$83.745	\$1.307	\$85.052
Combined Volume & Waste Load, per 1000 gallons	\$5.655	\$3.033	\$8.688

The District has historically utilized a customer service charge to address certain fixed costs, regardless of the quantity of wastewater delivered to the District by any given customer. In addition, a volume charge has been applied based on the metered water delivered to a customer at the time when outside structure use is minimal or non-existent. This has historically been the December through February billing period when outside irrigation is non-existent or extremely minimal. Other alternatives were evaluated in this 2019 Wastewater Rate Study; however, it has been elected by the District to remain with the existing system of a customer service charge, together with a volume charge based on winter time metered water delivered to the customer.

Based on the single family equivalent of 4,280 gallons per billing period, this reflects an estimated single family equivalent monthly total user charge of \$36.34 with the customer service charge shown above. This is comparable to the existing estimated typical single family equivalent monthly service charge of \$34.18, or an increase of \$2.16 per month and \$25.95 per year. This is an increase of 6.3% from existing to proposed rates, this being a change from existing rates that have been in effect for three years.

In summary, it is proposed that the FSD customer service charge be increased \$0.75 per billing period to a total of \$6.98. The volume charge is proposed to be \$6.86 per 1000 gallons or \$0.0686 per 10 gallons, an increase of five (5) percent from the existing volume based component of the user charge. For the typical single family user, this represents a total increase of 6.3% over the current rate structure which has been effective for three years without change. It is proposed the revised user charge would be applicable for services provided starting March 1, 2020.

D. PLANT INVESTMENT FEES

The overall concept of plant investment fees (PIFs), commonly referred to as “tap fees,” is an equitable allocation of the costs of development of wastewater management infrastructure necessary to properly manage domestic wastewater in the District's service area. That infrastructure includes collection and transmission facilities, together with wastewater treatment and disposal facilities and arrangements. It includes major capital infrastructure, but does not include recurring operation and maintenance activities, such as labor and expendable supplies and materials.

PIFs are the one-time financial contribution by a new user to the system to purchase or "buy in" to the existing wastewater management system asset which has previously been furnished by the District, or will be furnished in the future to properly manage wastewater from new connections in perpetuity.

Over the last 18 years, more or less, it appears a number of utilities in Colorado are utilizing the proceedings and findings in the *Krupp vs. Breckenridge Sanitation District* case, which was initially filed in District Court and was ultimately appealed by the plaintiff to the Colorado Supreme Court. The findings at all levels of judicial review were in favor of the defendant, the Breckenridge Sanitation District, as to the application of a particular methodology for the development of plant investment fees. Equity among users bearing the cost of services provided by the utility is the primary basis of this approach to development of PIFs.

The basic principles applied in development of PIFs in this 2019 Wastewater Rate Study include the following.

- The original cost of all facilities in the District's wastewater management system are identified from the accounting records.
- The original cost of the existing facilities is adjusted to provide an estimate of current replacement costs.
- The current replacement cost of the wastewater management infrastructure is reduced to reflect the remaining useful life of the existing facilities.
- Anticipated capital projects in the District's 10-year capital improvement plan have been identified and costs associated with implementation of those improvements assigned.

Using these principles, the value of a single family equivalent (SFE) PIF has been developed. This approach has used the total existing treatment capacity available in the RJCII WWTF and the HDTRWRF and an SFE contribution of 164 gallons per day to determine the base PIF.

Refer to Table I-2 for the applicable numerical development of the PIF.

TABLE I-2
PROPOSED PLANT INVESTMENT FEE

1. Estimated wastewater infrastructure replacement value	=	\$108,487,408
2. Reduction for expended useful life	=	\$26,211,830
3. Current replacement value adjusting for remaining useful life of wastewater infrastructure	=	\$82,275,579
4. Total value of 10-year capital improvement projects	=	\$41,471,000
5. Total existing and future wastewater infrastructure value	=	\$123,746,579
6. Maximum SFE capacity of wastewater management system, SFEs	=	21,914
7. PIF total current value/SFE capacity	=	\$5,647

It is proposed that a uniform plant investment fee schedule be applied to all users and all user classes, residential, commercial and industrial throughout the FSD service area. The District's existing plant investment fee structure includes two different rates for fees for users discharging to the RJCII treatment facility or the HDTRWRF. That difference was previously based on the major investments necessary to develop added treatment capability in participation and ownership of the HDTRWRF.

In the planning concepts of this 2019 Wastewater Rate Evaluation, it has been considered that major treatment facility improvements may be necessary in the not too distant future for the RJCII facility. Depending on the cost evaluation to be accomplished in approximately 8 to 10 years, either improvements at the RJCII or improvements and expansion of the District's ownership at the HDTRWRF will be necessary. With this concept, the District is of the opinion that a uniform plant investment fee across all users regardless of service from either treatment facility would be appropriate. The equity for buy-in to existing infrastructure and financial support of future capital improvements will be comparatively equal, regardless of which treatment facility the user may discharge to in the short-term, i.e. next 5 to 8 years.

The proposed PIF is based on a single family equivalent with a minimum base fee applicable. It is proposed that the base fee would be applicable to 18 drainage fixture units (DFUs) or less in any given installation connected to the District's wastewater management system. An incremental PIF fee would apply for installations with more than 18 DFUs. This is the same approach or policy that has been utilized for more than 15 years.

It is proposed that the District adopt the base PIF of \$5,647 for 18 DFUs or less and an additional PIF per DFU assessed for DFUs connected exceeding 18. This proposed base PIF is \$343 less than the current base PIF applicable to the Jimmy Camp Creek service area.

It is suggested that a unit plant investment fee be applicable to each fixture unit value exceeding the base value of 18 fixture units. For purposes of this plant investment fee determination, it is proposed that the additional fixture units be assessed at the rate of about 60% of the base fixture units, i.e., \$186 per fixture unit. This is the same incremental rate that has been in effect for more than ten (10) years.

If a single-family residence is assessed at 30 drainage fixture units which is about average for recent single family development products in the service area, the total plant investment fee would be \$7,879. This is slightly less than the current plant investment fee applicable to the Jimmy Camp Creek Basin.

The minimum proposed plant investment fee in the Fountain Creek Basin would increase by \$3,522 per single-family equivalent connected.

Commercial and industrial facilities containing typical domestic plumbing fixtures will be assessed in the same fashion as residential. Detailed estimates of wastewater generation in an industrial process, not typical of domestic wastewater generation, will be developed by the industrial customer and reviewed by District staff. The assessment will be on the basis of one fixture unit for each 9.1 gallons per day of non-domestic wastewater to be contributed by the customer. This equivalent hydraulic loading for non-domestic wastewater is based on there being 164 gallons per day per single-family equivalent (SFE) contributed from 18 drainage fixture units.

In summary, it is proposed that the base PIF of \$5,657 for 18 or less DFUs connected together with a unit PIF of \$186 for each DFU connected which exceeds 18 in a wastewater customer's facility be adopted. It is proposed this would be effective at January 1, 2020.

SECTION II BACKGROUND

A. PURPOSE AND BACKGROUND OF USER CHARGE EVALUATION

The Fountain Sanitation District (FSD) owns and operates a centralized wastewater management system providing services to its customers in the City of Fountain corporate limits and the surrounding areas of central El Paso County, Colorado. The District was formed in 1955 and operates a wastewater collection system along with an advanced secondary wastewater treatment facility, the Richard J. Christian II Wastewater Treatment Facility, a.k.a. RJCII WWTF, discharging to Fountain Creek under a permit issued by the Colorado Department of Public Health and Environment (CDPHE).

The FSD is also a member of the Lower Fountain Metropolitan Sewage Disposal District (LFMSDD) which owns and operates a separate advanced wastewater treatment facility, the Harold D. Thompson Regional Water Reclamation Facility, a.k.a. HDTRWRF, which discharges to a tributary to Fountain Creek under authority of a permit issued by the CDPHE. A portion of the FSD service area generally located within the Fountain Creek drainage basin, drains to the RJCII WWTF. The remainder of the FSD service area generally located in the Jimmy Camp Creek drainage basin drains to the HDTRWRF, operated by the LFMSDD.

Over the last 15 years, the FSD has utilized a "cost of service" approach for the evaluation of user charges with the last in-depth evaluation being performed in 2015. The current effort utilizes the same cost of service methodology to develop wastewater user charges to support the wastewater management services provided by the District while also reviewing different rate structure alternatives.

B. EXISTING USER CHARGE SYSTEM

The FSD adopted a volume based user charge system approximately 20 years ago for non-residential customers. A volume based system for residential customers was established approximately 8 years ago utilizing an annual adjustment for estimates of in-house use only. This was accomplished by utilizing the average of winter water use delivered to each residential customer during the billing periods for December, January and February. That average billing period use was then the basis for the volume charge for the succeeding 12 months.

The District also adopted a policy whereby user charges for customers which were not within the institutional boundaries of the District were double that for customers located within the institutional boundaries. This is the District's manner of better attaining equity among users where customers within the institutional boundaries also contribute ad valorem tax revenues to the District, and those outside the institutional boundaries do not.

It has been the District's policy over the last several years to adopt a, "... Rates Resolution..." at the beginning of each budget year which sets forth the District's user charges, plant investment fees and other fees, rates and charges applicable to operation of the District's wastewater management system. The following Table II-1, represents the current user charges as adopted by the District Board of Directors. As will be shown subsequently in this Report, this particular rate schedule shown in Table II-1 has been in effect since March of 2017, the first billing period following the residential user evaluation period of December 2016 and January and February 2017.

TABLE II-1
 FOUNTAIN SANITATION DISTRICT
 SUMMARY OF CURRENT USER CHARGES
 2019 RATES RESOLUTION NO. 2019-01

User Class	Customer Service Charge, per Monthly Billing Period		Unit Volume Charge, for each 10-Gallons of Metered Water During Monthly Billing Period	
	In District	Outside District	In District	Outside District
Fountain Creek Basin				
Residential Units	\$6.23	\$12.46	\$0.0653	\$0.1305
Non-Residential Units	\$6.23	\$12.46	\$0.0653	\$0.1305
Jimmy Camp Creek Basin and Lower Fountain Creek Basin				
Residential Units	\$6.23	\$12.46	\$0.0653	\$0.1305
Non-Residential Units	\$6.23	\$12.46	\$0.0653	\$0.1305

The following are the general criteria used in assessment of user charges to users receiving services from the District.

- Residential dwelling units include each dwelling or living unit, whether a single family detached dwelling, or located within a duplex, fourplex, sixplex, eightplex, apartment building, condominium building, townhome building or individual mobile home, each with a separately metered water service to each living unit.
- Non-residential units include but are not necessarily limited to churches, schools, commercial and industrial establishments, businesses or enterprises, privately owned trailer courts or mobile home parks, and any other establishment, business or enterprise including multiple living unit building, condominium building, or townhomes buildings which have a commonly metered water supply for all living units in each building.
- The Wastewater User Charge for residential users will be based on the average winter water use volume metered at each customer during the billing periods for December, January and February, and the established Customer Service Charge.
- Wastewater User Charges for new residential customers without historical winter water use will be based on the District's last calculated median winter metered residential water use of 4,280 gallons during a billing period and the established Customer Service Charge. The residential water use of 4,280 gallons during a billing period was determined from examining each residential account for the billing period of October through April in calendar years 2010 and 2011. Extracting obvious outliers at each end of an ordered listing of each account's water use, the median value was

determined. The median value is that value where one-half of the accounts are less than, and one-half of the accounts are more than that value of 4,280 gallons metered to the customer during the billing period. The billing periods of December 2010 through February 2011 were found to exhibit the least volume of “out-of-house” use.

C. RATE STRUCTURE HISTORY

The FSD made minor adjustments to user charges over the last few years. Recent changes to user charges are shown in Table II-2. The FSD has been very responsible in establishing and operating a user charge system to satisfactorily support the operations of the District. In particular, the District has given appropriate attention to renewal and replacement of District infrastructure, regardless of the need for added capacity or capability. The cost of service assessment used to develop user charges includes the cost of operations, i.e. day to day expenses and activities together with an assessment of renewal and replacement of District infrastructure in order to maintain existing capability for existing customers. Capital improvements which are new facilities added to the system or facilities required to update and upgrade capability are discussed in subsequent sections of this Report.

TABLE II-2
FOUNTAIN SANITATION DISTRICT
IN-DISTRICT USER CHARGE CHANGES
2013 - 2019

Effective Date	March 2013	March 2014	March 2015	March 2016	March 2017
Customer Service Charge ⁴⁾	\$4.40 ¹⁾ \$4.50 ²⁾	\$4.62 ¹⁾ \$4.91 ²⁾	\$5.65 ³⁾	\$5.93 ³⁾	\$6.23 ³⁾
Unit Volume Charge per 10 gallons ⁵⁾	\$0.0425 ¹⁾ \$0.0430 ²⁾	\$0.0457 ¹⁾ \$0.0480 ²⁾	\$0.0632 ¹⁾ \$0.0529 ²⁾	\$0.0622 ³⁾	\$0.0653 ³⁾

- 1) Applicable to users in Fountain Creek Basin
- 2) Applicable to users in Jimmy Camp Creek Basin
- 3) Applicable to all users in District
- 4) Fixed charge per billing period per customer
- 5) Volume is based on metered volume delivered to customer during billing period

Prior to 2012, the District utilized a fixed fee basis for user charges, generally reasonably uniform between residential and non-residential waste contributors for discharging similar waste to the District's system. In 2012, the District adopted and initiated operation of a volume based user charge system for all contributors to the District's wastewater management system. That user charge system is based on the metered water delivered to each customer

or contributor during the period of December, January and February when the majority of delivered water is returned through the wastewater collection system.

The user charges were evaluated and updated in 2015 with a recommendation to reevaluate after 2017. The review of the District's finances has been completed at monthly board meetings (as required) as well as the annual review of the audit and during the budgeting process. The user charges were reviewed in early 2018 and 2019. The Board of Directors elected to not make any changes to those rates adopted and effective March 2017. This current wastewater rate study will reassess the cost of service, required funding for renewals and replacements of District infrastructure and funding for capital improvements to the District's wastewater management system.

D. EXISTING CUSTOMER EVALUATION

The District evaluates each customer based on different customer classes. These classes determine the monthly user charges applied to the customer, particularly how the monthly charge is calculated. As indicated above, the District is split into two macro scale groups or classes designated by topographic drainage basin:

- Fountain Creek Basin
- Jimmy Camp Creek Basin and Lower Fountain Creek Basin

The two topographic drainage basins are served by separate wastewater collection systems and wastewater treatment facilities. The Fountain Creek Basin is served by the RJCII WWTF which was originally located at that site when the District was first formed in 1955. It has since been upgraded in several increments over the last 65 years. The portion of the District's service area located within the institutional boundaries west of the Union Pacific Railroad right-of-way, south of Jimmy Camp Creek is likewise served by the RJCII WWTF. The Jimmy Camp Creek Basin and Lower Fountain Creek Basin is served by the HDTRWRF facility with wastewater being collected by an LFMSDD interceptor sewer with connections from the District's collection system at several locations.

As indicated in Table II-2, the user rates differed between these two basins until March 2016 when the user charges were modified by the Board of Directors to be equal. Although the cost of service varies between the basins primarily due to the cost of treatment, the Board of

Directors expressed that customers deemed the differing rates to be inequitable. Therefore, the user charge was established to be the same for all customers served by either wastewater treatment system.

Within the broad basins there are customer classes for residential, non-residential and industrial users. The residential and non-residential units are intended to reflect waste generation which is typical of domestic wastewater. The industrial user class is intended to represent those wastewater generators which generate other than domestic wastewater, such as process wastewater from a manufacturing or other similar process.

1. Residential

In-District

Residential user charges are based on the average monthly volume of water delivered to the customer during December, January and February billing periods; this period being one when there is little to no out-of-house use. It is presumed that a very large proportion of the water delivered to the customer is returned to the wastewater system, usually verified to be greater than 95 percent of the metered water. The 10-gallon increment of metered water is used in the billing system because that is the minimum increment that is used by the major water purveyor in the FSD service area for metering and billing of potable water service. The FSD uses records of the City of Fountain metered water deliveries in its billing system. This is the largest user class in the District with a total of 7,609 accounts in July 2019.

Out-of-District

Residential customers who receive wastewater management services but are located outside the institutional boundary are charged a different user base rate than those inside the service area. The customer service charge for out-of-District customers is currently \$12.46 monthly. Currently the District has 32 customers outside the service area which is only 0.4% of the customers for the system. The unit volume charges are calculated the same as those inside the District with the average monthly volume of water delivered to the customer during December, January and February billing periods. The unit volume charge is twice that for customers within the institutional boundaries of the District as a

means of establishing equity among all customers. As previously discussed, the out-of-District customers do not contribute ad valorem tax revenues to the District.

Residential Dependent

This class of customers labeled as "residential dependent," is a terminology utilized by the City of Fountain water utility billing system. It represents customers that conduct multi-family or other similar commercial activities but primary land uses are residential in nature. Because each individual dwelling unit is not separately metered, and the water is generally delivered to a single property serving multiple dwelling units, including out-of-house use, the volume charges are based on each month's billing cycle. Annually, there have only been 3 or 4 customers since 2015 which are in this class of service.

2. Non-Residential

Commercial

This class of service is all commercial accounts in the District which includes small commercial accounts like small retail and small office buildings, as well as large commercial users like big box stores, grocery stores, restaurants and schools. All commercial users are assessed the customer service charge, plus the unit volume charge based on water use during each billing period. These customers have the option of making arrangements with the water utility to have an out-of-house use such as for landscape irrigation systems, separately metered with a separate account. In those instances, the wastewater user charges are not assessed to irrigation system supply delivered to that particular property, but are only assessed to the water delivered to drainage fixtures within the structures.

There are 160 small commercial accounts and 18 large commercial accounts within the District as of July 1, 2019. The rate structure is the same for small and large commercial accounts. At the present time, the unit charges are the same for residential and non-residential users.

E. PLANT INVESTMENT FEES

Plant investment fees (PIFs) are not derived from the concept of "cost of service." Plant investment fees are an asset purchase by new users on the system as their "buy-in" or their proportional asset purchase of the wastewater management system for use in perpetuity. It is recognized that the asset must be renewed and replaced in order to provide perpetual service.

Plant investment fees are addressed in Section VII of this 2019 Wastewater Rate Study.

F. BASIS FOR EVALUATION

The FSD has not completed a detailed user charge or rate study since 2015; however, there have been user charge increases as indicated above based on more limited review of the cost of service and the revenue required to support that cost of service. The District's basic budgeting and financial record keeping was modified after the voters of the State of Colorado adopted a state constitutional amendment commonly referred to as the Taxpayers' Bill of Rights, using the acronym TABOR. That constitutional amendment limited the use of ad valorem tax revenues, limited the annual changes in ad valorem tax revenues, as well as set specified terms and conditions on the uses of grants and other limiting factors.

The regulated community made a determination that by classifying all or a portion of the utility's operation as a business element, some of the adverse limitations as a result of the implementation of TABOR could be avoided. In the case of the FSD, the District established a "government" fund, commonly referred to as the, "District," and the Enterprise Fund, the business element, and commonly referred to as the Jimmy Camp Creek or JCC enterprise fund. The major basis in that determination was the then new HDTRWRF would be primarily to provide services and supported by user charges from those users in the Jimmy Camp Creek Basin.

Ad valorem taxes were limited to support general administrative and other functions not directly related to the cost of service of wastewater collection and treatment. Generally, the District, both the government fund and the enterprise fund revenues, have exceeded expenditures each year examined in this analysis, 2015 through 2019. The only exception is

the capital improvement project at the HDTRWRF for the phosphorus control project where the FSD contributed \$3.6 million from cash reserves.

The District is proactively planning to prepare for the implementation of changes to Water Quality Control Commission (WQCC) Regulation Nos. 31 and 32. Each of these regulations is scheduled to adopt water quality standards for control of nutrients in receiving waters. Nearly all wastewater treatment facilities in the State of Colorado will require upgrading to address the ultimate water quality based effluent limits resulting from these water quality standards yet to be developed. As of the writing of this Report, those regulations are planned to be developed and implemented in the 2026-2036 time frame.

Although the District has not determined how and where new treatment methods will be implemented, regardless of the selected treatment, there will be a requirement for significant capital to complete these improvements. This implementation is outside the scope of this study, but the District should continue its advance planning. Additionally, the District has been proactive to assure its aging infrastructure will continue to provide exceptional service. Renewals and replacements are required to provide desired wastewater management services in perpetuity. Thus, the greatest area of concern is funding planned infrastructure capital improvements in the next 5 years in addition to the operations cost. This analysis will determine the required rate structure to support the cost of service and infrastructure renewals and replacements.

In developing user charges, it is important to adhere to certain critical principles. The core principles used in this evaluation for the cost of service based user charges for the District are as follows.

- Rates must be just and reasonable.
- Rates must bear a reasonable relationship to the District's purpose.
- Rates must bear a reasonable relationship to the District's current and/or future operating and capital costs.
- Rates reasonably related to the costs of providing service are not unreasonably discriminatory.
- Rates that are charged to a class of customers should provide revenues that are reasonably proportional to the costs of serving that class.

SECTION III EXISTING WASTEWATER MANAGEMENT SYSTEM

The FSD receives wastewater from three separately identified drainage basins. Those are as follows:

- Fountain Creek Basin - Topographically tributary to the Fountain Creek drainage, generally upstream of the confluence of Fountain Creek and Jimmy Camp Creek together with that area west of Fountain Creek and north of the site of the RJCII WWTF.
- Jimmy Camp Creek Basin - Topographically tributary to the Jimmy Camp Creek drainage, generally upstream of the confluence of Jimmy Camp Creek and Fountain Creek.
- Lower Fountain Creek - Topographically tributary to Fountain Creek downstream of the confluence with Jimmy Camp Creek and presently limited to that area located east of the main stem of Fountain Creek.

A. COLLECTION

The FSD owns and operates a wastewater collection system throughout the City of Fountain and surrounding areas. There are wastewater collection system pipelines ranging in size from 8 inches in diameter to 24 inches in diameter, the majority of which convey wastewater through gravity flow.

The District's collection system presently includes three wastewater pump stations to convey wastewater across topographic conditions that currently do not allow for conventional gravity flow. Each of these three wastewater pump stations are owned and operated by the FSD. The pump stations are known as the Little Ranches Pump Station (LRPS), the Race Street Pump Station and the Conley Pump Station. All three pump stations direct flow to the RJCII facility.

B. TREATMENT

In the late 1990's the District accomplished the planning and construction of an advanced secondary treatment wastewater facility (RJCII) which replaced the previous wastewater stabilization and aerated pond system utilized for treatment.

The FSD is a member of the LFMSDD which has significant involvement in the planning and development of wastewater infrastructure within the FSD service area on a regional level. Since the mid-1980's to the present, the FSD has been actively involved in the planning, design and construction of a new regional wastewater treatment facility for the LFMSDD called the Harold D. Thompson Regional Water Reclamation Facility (HDTRWRF). The FSD owns 75% of the capacity of the HDTRWRF. The remaining 25% is owned by the Colorado Centre Metropolitan District. The Colorado Centre Metropolitan District also owns 1,000,000 gallons per day instantaneous flow rate capacity in the LFMSDD interceptor sewer. The FSD owns all remaining capacity in the interceptor sewer system.

C. ADMINISTRATION

The FSD performs all administrative functions for operation of the District in provision of wastewater management services to its constituents. All services are performed by District personnel with the exception of direct billing and user charge collections. The District contracts with the City of Fountain to include billings for wastewater management services on the City's utility billings. Even though there are District customers outside the corporate limits of the City of Fountain, the utility service areas of the City, i.e. water and electric, also serve those areas where the District provides wastewater management services outside the City's corporate limits and, in addition, those customers outside the institutional boundaries of the District.

District administration has developed and operates an information technology system (ITS) to include a geographic information system (GIS) and asset management system.

D. CAPITAL IMPROVEMENT PLAN (CIP)

The Capital Improvement Plan (CIP) is updated on an annual basis and is approved with the annual budget by the Board of Directors. For the purpose of this study, a 10-year CIP was developed with the proactive plan that it be "rolled forward" each year. Detailed attention is given to the first five (5) years of this plan as to needs and priorities of specific projects.

E. SERVICE AGREEMENTS

The FSD is a member of the LFMSDD. The District is a party to a Service Agreement with the LFMSDD which defines specific responsibilities, authorities and benefits derived from membership in the LFMSDD. As of the writing of this Report, other members of the LFMSDD and also parties to the Service Agreement are the Colorado Centre Metropolitan District, the City of Colorado Springs acting through its Colorado Springs Utilities enterprise, and the Vintage Development Company. The Vintage Development Company owns several hundred acres of land within the service area tributary to the HDTRWRF. At the time of the original development of the LFMSDD infrastructure plans, the Vintage Development Company held additional land which has since been sold to the Woodmoor Water and Sanitation District for water resource development. The Vintage Development Company continues as a party to the service agreement and contributes to administrative costs of the LFMSDD.

This Service Agreement defines the terms and conditions by which wastewater management services are furnished to the FSD by the LFMSDD. The *Sewage Treatment and Disposal Agreement*, aka Service Agreement, between the FSD and the LFMSDD is provided in Appendix A. As indicated, the FSD customers generate wastewater in the Jimmy Camp Creek and Lower Fountain Creek basins which are the primary beneficiaries of the services provided by the LFMSDD. The FSD collection system connects to the LFMSDD interceptor sewer system at several discrete locations. The net contribution to the LFMSDD system by the FSD is determined by the difference in flow volume at the HDTRWRF less the contributions from the Colorado Centre Metropolitan District. The FSD owns and has been allocated 75% of the treatment capacity in the HDTRWRF and, approximately 87.5% of the hydraulic capacity in the existing LFMSDD interceptor system.

The LFMSDD bills the FSD for services rendered in providing the described wastewater management systems (conveyance, treatment and disposal). This is reflected in the JCC Enterprise Fund expenditures. For purposes of this 2019 Wastewater Rate Study, there will not be an independent cost of service analysis accomplished for the LFMSDD.

The LFMSDD does not employ independent staff for operation and administration of the LFMSDD. Because that capability existed in the FSD at the time the LFMSDD treatment facility and interceptor was planned, designed, constructed and commenced operation, the two members at the time, the FSD and Colorado Centre Metropolitan District, agreed to enter

into an Operations Agreement with the FSD on behalf of the LFMSDD to provide certain operation services, administration of personnel, operations and regulatory compliance. The FSD provides personnel to satisfy the terms and conditions of this Operations Agreement. It takes advantage of existing services and facilities available within the FSD for the benefit of all constituents of the LFMSDD. Personnel performing work and services in the operation of the LFMSDD facilities maintain strict and detailed time accounting together with capital and expendable supplies such that the FSD is reimbursed for services and costs incurred in the direct operation of LFMSDD facilities.

SECTION IV
EXISTING FINANCIAL CONDITIONS

A. SOURCE OF REVENUE

The District's annual audit reports, budgets and in-house income statements and balance sheets have been used to provide information for assessment of revenues and expenditures available to support the wastewater management services and operations of the District. It is assumed these financial statements provide data sufficient to evaluate the financial conditions of the District. GMS, Inc. has had the opportunity to witness the presentation of the report of the independent auditor to the District staff and Board of Directors over many years. These independent auditor's reports have consistently confirmed the adequacy and high quality of the financial operations of the District. The general content of the District's audit reports and budgets which reflect cost of service of the District are represented in Table V-1, located at page V-3.

The primary source of data for use in this 2019 Wastewater Rate Study has been the last four years' annual audit reports (2015-2018), together with the last four years' of budget proposals, including that for fiscal year 2019. The income statements and balance sheets generated by in-house bookkeeping are extremely useful as well, recognizing that they are prepared on a cash basis, whereas the audit is on an accrual basis. The independent auditor provides input to the District staff at the end of each fiscal year to assist in reconciling end of year adjustments in the cash statements with the accrual statements.

1. Ad Valorem and Ownership Tax

The District assesses a property or ad valorem tax on all real property within the District's institutional boundary. The levy for ad valorem taxes collectible in 2019 was 6.637 mills. The 2018 (December 2018) assessed valuation of the properties within the District was \$155,475,990. Thus, the general property tax revenue collectible in 2019 is \$1,031,922. This revenue is directed to the Fountain Sanitation Fund for support of District administration costs.

The District also receives Specific Ownership Tax proceeds from the licensing on motor vehicles and other eligible personal property. This is a relatively minor source of revenue and sensitive to general economic conditions in the community.

2. Wastewater User Charges

The most significant revenue source for both funds is the user charges. This is generated from monthly billing of all customers receiving wastewater management services from the District.

The City of Fountain bills the customers on behalf of Fountain Sanitation District within the monthly billing cycle. At the time of this report, there were 7,610 residential accounts and 243 commercial accounts. The residential accounts have a fixed customer service charge plus a volume charge based on the average metered water use during December, January, and February billing period.

The commercial accounts have a fixed customer service charge which matches the residential customer service charge. Additionally, each monthly metered water supply is used as the basis of the volume charge. There is not a winter season average period used in assessing user charges to non-residential customers.

3. Investment Earnings

The investment earnings are generally interest or dividends collected from cash held in reserve. Between the FSD general fund and the JCC Enterprise fund there are presently 14 accounts held by various banks and conservative money markets that generates interest income. Each of these depository accounts are operated in accordance with the Colorado Public Deposit Protection Act. In 2018, this accounts for approximately 9% of the revenue for the FSD general fund and approximately 2% of the revenue in the JCC Enterprise fund. The average interest income for both funds is approximately 5% of total revenue for the District.

4. LFMSDD Operation Services Agreement

The FSD has entered into an Operation Services Agreement with the LFMSDD to provide certain operation services, primarily personnel services for operation of the HDTRWRF. This close relationship is for the benefit of all constituents of the LFMSDD utilizing existing expertise and resources of wastewater management agencies within the service area, avoiding unnecessary duplication of services and resources. The FSD assesses the cost of services to the LFMSDD which reimburses the FSD for costs incurred. The Operation Services Agreement is provided in Appendix B of this Report.

The FSD maintains a strict and detailed accounting of man hours and FSD equipment committed from time to time to continuing operations at the HDTRWRF. Generally, supplies and equipment dedicated for use at the HDTRWRF are billed directly to, and paid directly by, the LFMSDD. In addition, a fixed unit cost for District administration by FSD staff is also assessed to the LFMSDD in accordance with the current Operation Services Agreement. Those direct costs are billed on a monthly basis by the FSD and paid by the LFMSDD as a cost of its operations.

Based on conditions existing at the time of preparation of this 2019 Wastewater Rate Study, that arrangement is expected to continue for the foreseeable future. Should there be an entity contributing a greater amount of wastewater to the LFMSDD system than is currently contributed by the FSD, the operations services arrangements may change, either through employment of LFMSDD staff and acquisition of operations equipment by the LFMSDD, or through a modification of the Operation Services Agreement with a third party. It is the assumption of this current rate evaluation that within the five year analysis period, this Operation Services Agreement will remain in effect, subject to amendment.

5. Plant Investment Fees (PIF)

The current schedule of District fees for PIFs are as follows:

Jimmy Camp Creek Basin and Lower Fountain Creek Basin:

- Minimum base PIF charge - \$5,990.00
- Minimum base PIF for areas outside the District - \$7,265.00

- Minimum drainage fixture unit (DFU) allowance - 18
- DFU charge in excess of minimum allowance - \$186.00 (each) (as of 1/1/2010)

The PIFs applicable to the remaining part of the District's service area, generally the Upper Fountain Creek Basin, are reaffirmed as follows:

- Minimum base PIF charge - \$2,125.00
- Minimum base PIF for areas outside the District - \$3,400
- Minimum DFU allowance - 18
- DFU charge in excess of minimum allowance - \$186.00 (each) (as of 1/1/2010)

The average PIF for the District is approximately \$8,500 per tap. Most new development is occurring in the Jimmy Camp Creek Basin

B. USE OF FUNDS

Historic District expenditures were determined from annual audit reports and in-house income statements. As previously mentioned, the District has a general fund referred to as Fountain Sanitation and an enterprise fund referred to as Jimmy Camp Creek enterprise. The following categories are the general budget and audit categories and are reflected in the District's chart of accounts. The District's chart of accounts is the commonly accepted format for recording revenues and expenditures. It is ordinarily published for each monthly accounting period. It is normally presented on a fiscal year basis, which for the FSD, is a calendar year, with accrued revenues and expenditures to the date of the report.

1. Sewage Collection and Transmission

Sewage collection and transmission expense accounts are related to the conveyance of wastewater from the customer to the wastewater treatment facility. This includes personnel, supplies, repairs and maintenance, purchased services, and utilities. This also includes system renewals and replacements. The system renewal projects typically include the replacement of sanitary sewer main, force main repair, lift station equipment replacement, rehabilitation of pipe, and manhole renewals or replacement. Replacement of District vehicles and other motorized equipment with like kind are considered part of the renewal and replacements required to maintain existing capability. There is an additional

category for capital outlay as well which is for the development of new facilities in the collection system which are accomplished to provide new, expanded or upgraded capacity or capability for the system which did not previously exist.

2. Sewage Treatment Plant

The sewage treatment plant category of expenses is for all expenses related to the wastewater treatment facilities. This includes personnel, supplies, repairs and maintenance, purchased services, and utilities. This also includes treatment system renewals and replacements. The system renewal projects typically include the replacement of treatment equipment, pumps, WWTF building improvements, IT equipment replacement, VFD replacements, laboratory equipment and facility replacements and renewals.

As previously discussed, the concept of renewals and replacements is the activities required to maintain existing capability and capacity for existing customers. It does not necessarily include an expansion of capacity nor upgrade in capability. Increases in capacity and upgrades in capability, i.e. treatment to a greater level of pollutant removal are considered capital improvement projects.

Capital improvement projects related to wastewater treatment would include such things as an additional bypass pumping system for emergency or preventative maintenance activities, an expansion of disinfection equipment capability, a building addition, changes in heating and ventilating in treatment facility structures for improvement of operation conditions, and addition of pumps or blowers to supplement existing equipment for improvement in equipment redundancy or reliability.

Because the District is a part owner of the HDTRWRF, the cost of operations, renewals and replacements, and capital improvements projects are passed on to the District by the LFMSDD in proportion to its use (proportion of throughput capacity utilized) and ownership. Those costs of operation at the HDTRWRF are an expense billed to the District for services rendered in the Jimmy Camp Creek basin and applied to the JCC enterprise fund. The unit user charge of the LFMSDD billed to the FSD and posted as a treatment cost also includes any part of the LFMSDD user charge used for operation,

maintenance, renewal and replacement of the LFMSDD interceptor sewer and related facilities.

3. Sewage Administration

The sewage administration facilitates all the administrative components of the District including management, bookkeeping, billing, record keeping, insurances, publications, legal services, master planning cost, and similar costs of operation and customer service. All administrative expenses are within the Fountain Sanitation District fund. There is a small amount for administration in the JCC Enterprise Fund which is for the administrative service expense for LFMSDD operations rendered under the Operation Services Agreement.

4. Renewals and Replacements

The renewal and replacement costs are those expenditures which are required to maintain the wastewater management capability to serve existing customers at the current capacity of the District's wastewater management system. Expansion of capacity is properly the responsibility of new customers. Therefore, existing customers must support the renewal and replacement projects in order to maintain existing wastewater management capacity and capability.

For purposes of this user charge evaluation, renewal and replacement projects have been identified with monetary budget values. Those budget values are analyzed on an annual basis and projected over a prospective ten-year period. As each annual budget cycle is initiated, the capital improvement plan should be reviewed, updated and the ten-year projected cost for renewal and replacement projects updated.

It is recognized that the cost of renewal and replacement projects can vary significantly from year to year. For instance, it might be two to four years between purchase of a new service vehicle. In order to maintain a more consistent cost of service, and allow for these periodic expenditures on a frequency greater than annually, the projected renewal and replacement projects over a five-year period are averaged. The average of that prospective five-year period is utilized in the cost of service analysis with each annual budget cycle. At each review of the ten-year renewal, replacement and capital

improvement plan, that five-year period is rolled forward. Table IV-1 is the 10-year capital improvement plan with renewals and replacements separately itemized.

**Table IV-1
FOUNTAIN SANITATION DISTRICT
10-YEAR CAPITAL IMPROVEMENT PLAN**

No.	Priority High=3 Low=1	Description of Work Items	Calendar Years 2020 to 2029																			
			2020		2021		2022		2023		2024		2025		2026		2027		2028		2029	
			Capital	R&R	Capital	R&R	Capital	R&R	Capital	R&R	Capital	R&R	Capital	R&R	Capital	R&R	Capital	R&R	Capital	R&R		
1.		Sewage Collection and Transmission																				
		New tripod With Fall arrestor		\$8,000																		
		Field Ops Communication Headsets-Personal & Base	\$7,500		\$1,000		\$1,000		\$1,000		\$1,000		\$1,000		\$1,000		\$10,000		\$1,000		\$1,000	
		Hydraulic pump (6-Inch) With Power Pack		\$95,000																		
		System Rehabilitation - Manholes and Point Repairs		\$150,000		\$275,000		\$275,000		\$325,000		\$325,000		\$350,000		\$350,000		\$400,000		\$400,000		\$450,000
		Illinois Avenue Railroad Crossing				\$75,000		\$425,000														
		CIPP Rehabilitation		\$150,000		\$275,000		\$325,000		\$350,000		\$375,000		\$400,000		\$425,000		\$450,000		\$475,000		\$500,000
		CCTV Equipment & Video Van/ Equipment - Replace 2005 Unit				\$10,000		\$10,000		\$15,000		\$10,000		\$15,000		\$15,000		\$15,000		\$15,000		\$15,000
		Vaccon Unit - Replace 2000 Unit				\$190,000		\$190,000														
		Major System Main Line Replacements		\$200,000		\$250,000		\$250,000		\$375,000		\$375,000		\$375,000		\$400,000		\$400,000		\$400,000		\$400,000
		GPS Instruments & Software-Replace 2003 Unit						\$65,000														
		Manhole Ripcord Blower-Resplace 2002 Unit				\$2,700																
		IT System 1/4		\$2,500		\$3,500		\$3,500		\$3,500		\$3,500		\$4,000		\$4,000		\$4,000		\$4,000		\$4,500
		Master Plan 1/3	\$0		\$20,000		\$0	\$20,000		\$0	\$20,000		\$0	\$20,000		\$0	\$25,000		\$0	\$25,000		\$25,000
		Computerized Maint System 1/3		\$5,000		\$5,000		\$7,500		\$7,500		\$7,500		\$7,500		\$10,000		\$10,000		\$10,000		\$10,000
		Lift Station Repair		\$10,000		\$5,000		\$15,000		\$5,000		\$15,000		\$5,000		\$15,000		\$5,000		\$20,000		\$5,000
		Conley Lift Station Abandonment/Retirement								\$30,000		\$370,000										
		Connect Little Ranches Pump Station to LFMSDD Interceptor																\$400,000				
		Beckett Bandley Trunk Line Streambank Protection	\$500,000																			\$25,000
		LFMSDD Capital Projects		\$3,500		\$3,500		\$3,500		\$3,500		\$20,000		\$20,000		\$3,500		\$3,500				
2.		Treatment Plant																				
		LFMSDD Capital Projects	\$30,000	\$45,000	\$25,000	\$25,000	\$75,000	\$25,000	\$750,000	\$25,000	\$500,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
		Major Equipment Replacements-Backhoe	\$115,000		\$25,000		\$25,000		\$150,000		\$50,000		\$200,000		\$50,000		\$150,000		\$200,000		\$50,000	
		Service Truck - Replace 2004 Unit		\$40,000				\$50,000				\$50,000				\$55,000				\$60,000		
		Facility Grounds Equipment-Renewal and Replacements	\$10,000		\$10,000		\$10,000		\$15,000		\$15,000		\$15,000		\$20,000		\$20,000		\$20,000		\$20,000	
		WWTF Equipment Renewal & Replacement		\$150,000		\$100,000		\$250,000		\$275,000		\$300,000		\$300,000		\$300,000		\$300,000		\$300,000		\$300,000
		RJCI AB Liner & Air Delivery System Renewal		\$150,000		\$100,000		\$100,000														
		Security System Upgrade	\$10,000		\$25,000		\$25,000		\$30,000		\$30,000		\$10,000		\$10,000		\$10,000		\$10,000		\$10,000	
		UV Disinfection System		\$10,000		\$10,000		\$10,000		\$10,000		\$10,000		\$10,000		\$15,000		\$15,000		\$200,000		\$15,000
		WWTF Plant Lift Station Replacement				\$100,000									\$20,000							
		Building Improvements; Lab, Preliminary Treatment, Electrical		\$75,000		\$175,000		\$250,000		\$275,000		\$275,000		\$5,000		\$5,000		\$5,000		\$5,000		\$5,000
		WAS/RAS/Scum pums-Replace 1997 Equipment		\$50,000		\$50,000		\$5,000		\$5,000		\$5,000		\$2,000		\$2,000		\$2,000		\$5,000		\$5,000
		IT System 1/4		\$2,500		\$3,500		\$3,500		\$3,500		\$3,500		\$3,500		\$4,000		\$4,000		\$4,000		\$4,000
		Master Plan 1/3				\$20,000				\$20,000				\$20,000				\$25,000				\$25,000
		Influent Sampling Equipment - Replace		\$9,500																		
		RAS & WAS VFD Equipment	\$75,000																			
		Biosolids handling equipment-Containment, Load & Haul Equipment		\$75,000		\$35,000																
		Laboratory equipment & facility replacements-Microscope; Floor Coverings;Muffle furnace; Casework;		\$12,000																		
		Computerized Maint System 1/3		\$5,000		\$5,000		\$7,500		\$7,500		\$7,500		\$7,500		\$10,000		\$10,000		\$10,000		\$10,000
		RJC II Nutrient Control Evaluation & Incentive Program Ops	\$25,000		\$50,000		\$175,000		\$250,000		\$250,000		\$100,000		\$100,000							
		WAS Pumping to LFMSDD	\$2,500		\$2,500		\$25,000		\$25,000		\$1,300,000											\$10,000
3.		Sewage Administration																				
		Building Improvements		\$25,000		\$25,000		\$25,000		\$25,000		\$25,000		\$25,000		\$25,000		\$25,000		\$25,000		\$25,000
		IT System 1/2		\$5,000		\$10,000		\$14,000		\$14,000		\$14,000		\$14,000		\$14,000		\$16,000		\$16,000		\$16,000
		Master Plan 1/3				\$20,000				\$20,000				\$20,000				\$25,000				\$25,000
		New Admin/Maint Complex Construction	\$75,000																			
		Full Size Scanning Equipment & Software; Records Ret/Retr				\$12,500																
		Office Furnishings-Lateral Files for GIS paper documents	\$8,000																			
		Computerized Maint System 1/3		\$5,000		\$5,000		\$7,500		\$7,500		\$7,500		\$7,500		\$9,000		\$9,000		\$9,000		\$9,000
		LFMSDD Capital Projects		\$2,500		\$2,500		\$2,500		\$2,500		\$10,000		\$2,500		\$2,500		\$2,500		\$2,500		\$2,500

TOTAL CAPITAL PROJECTS =	\$858,000	\$340,000	\$335,000	\$1,290,000	\$2,175,000	\$665,000	\$180,000	\$270,000	\$820,000	\$175,000
Sewage Collection and Transmission =	\$507,500	\$115,000	\$0	\$20,000	\$30,000	\$390,000	\$0	\$25,000	\$400,000	\$25,000
Treatment Plant =	\$267,500	\$212,500	\$335,000	\$1,270,000	\$2,145,000	\$275,000	\$180,000	\$235,000	\$420,000	\$150,000
Sewage Administration =	\$83,000	\$12,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Check Total =	\$858,000	\$340,000	\$335,000	\$1,290,000	\$2,175,000	\$665,000	\$180,000	\$260,000	\$820,000	\$175,000

Notes: **TOTAL CAPITAL PROJECTS - 2020 through 2029 =** \$7,108,000

5-year increments	2020-2024	2021-2025	2022-2026	2023-2027	2024-2028	2025-2029
Total capital projects in 5 year increment	\$4,998,000	\$4,805,000	\$4,645,000	\$4,580,000	\$4,110,000	\$2,110,000
Average per Year	\$999,600	\$961,000	\$929,000	\$916,000	\$822,000	\$422,000
Average per Year for Collection and Transmission	\$134,500	\$111,000	\$88,000	\$93,000	\$169,000	\$168,000
Average per Year for Treatment	\$846,000	\$847,500	\$841,000	\$821,000	\$651,000	\$252,000
Average per Year for Sewage Administration	\$19,100	\$2,500	\$0	\$0	\$0	\$0

Total 2020-2029 Collection and Transmission = \$1,522,500
Total 2020-2029 Treatment = \$5,490,000
Total 2020-2029 Administration = \$95,500

TOTAL R&R (RENEWAL & REPLACEMENT PROJECTS) =	\$1,375,500	\$1,796,700	\$2,270,500	\$1,775,500	\$1,839,500	\$1,628,500	\$1,673,000	\$1,754,000	\$1,726,500	\$1,877,000
Sewage Collection and Transmission =	\$904,000	\$1,094,700	\$1,569,500	\$1,084,500	\$1,156,000	\$1,176,500	\$1,222,500	\$1,287,500	\$1,324,000	\$1,409,500
Treatment Plant =	\$434,000	\$638,500	\$631,000	\$638,500	\$626,000	\$373,000	\$399,000	\$389,000	\$389,000	\$389,000
Sewage Administration =	\$37,500	\$62,500	\$49,000	\$69,000	\$56,500	\$69,000	\$50,500	\$77,500	\$52,500	\$77,500
Check Total =	\$1,375,500	\$1,796,700	\$2,269,500	\$1,774,500	\$1,838,500	\$1,618,500	\$1,672,000	\$1,754,000	\$1,725,500	\$1,876,000

	2020-2024	2021-2025	2022-2026	2023-2027	2024-2028	2025-2029
Average per year for next 5 years	\$9,057,700	\$9,310,700	\$9,187,000	\$8,670,500	\$8,621,500	\$8,659,000
Average per Year for Collection and Transmission	\$1,811,540	\$1,862,140	\$1,837,400	\$1,734,100	\$1,724,300	\$1,731,800
Average per Year for Treatment	\$1,161,740	\$980,940	\$1,216,240	\$997,300	\$1,241,800	\$927,900
Average per Year for Sewage Administration	\$594,100	\$507,300	\$581,900	\$454,200	\$534,000	\$403,800
	\$54,900	\$47,400	\$61,200	\$48,700	\$58,800	\$49,000

FROM 2019 Budget, CIP	
NOTE - Percentage of Financial Obligation from Respective Fund	
COLLECTIONS	42% = GENERAL FUND 58% = ENTERPRISE FUND
TREATMENT	65% = GENERAL FUND 35% = ENTERPRISE FUND
ADMINISTRATION	

5. Capital Improvements

There will also be certain capital improvements which are not only required to maintain existing capability, but are planned for improvement or upgrade to the existing capability. Certain situations dictate treatment capability changes, such as those regulatory changes requiring treated water quality improvements. The financial responsibility of such improvements, in part, is borne by existing users. Therefore, major capital improvements costs related to those foreseeable regulatory changes will impact the near term user charges recommended by this evaluation.

There are other costs of maintaining the District's infrastructure that can be considered upgrades or improvements, but yet are not intended to provide for a greater capability or increase in capacity. Improvements in equipment efficiencies, maintainability and sustainability are often worthwhile to make without expecting any change in overall treatment capability or capacity. Those types of improvements are considered capital improvements, and not just renewals and replacements.

Any capacity change is considered a capital improvement. It is proactively provided for future customers and can be funded by capital reserves accumulated by the District or proceeds from debt with subsequent debt service by new customers through assessment of plant investment fees. Certain advance and proactive planning activities and preliminary design and budgeting are likewise considered capital improvements as they are intended to address future requirements different than the existing condition under which the District presently operates.

C. EXISTING COST OF SERVICE

The existing user charges for the FSD utilizes a cost of service approach considering the cost of service for the following service units.

- Volume or flow rate of wastewater
- Organic load measured as 5-day biochemical oxygen demand (BOD₅)
- Solids load, biodegradable and non-biodegradable, measured as total suspended solids (TSS)
- Customer service charge evaluated by individual connections and special needs

As is demonstrated by the current user charge system, billings to customers are based on the fixed customer service charge and the volume based waste load charge. The volume based waste load charge represented in the user charge system is a combination of all waste load, including volume, organic load and solids load. This evaluation has separated the unit cost of operations for general information and background data for use by the District. This is useful in the event a customer has an extraordinary waste stream, such as high BOD from food or liquid waste. The provisions of the District's Sewer Use Regulations permit surcharging the existing user charge rate to account for an extraordinary waste load. Ordinarily, domestic waste will be assessed user charges on the basis of a combined waste load represented on a volume basis.

The existing cost of service was established in an evaluation completed in 2015. The following table is the recent cost of service based on the average expenditures from 2016-2018. This cost of service does not include debt service as it was satisfied with existing reserve funding.

TABLE IV-2
FOUNTAIN SANITATION DISTRICT
EXISTING COST OF SERVICE

Service Unit	Unit Cost		Total – Operations and Renewals & Replacements
	Operations Only	Renewals & Replacements	
Volume, per 1,000 gallons	\$1.719	\$0.566	\$2.285
BOD ₅ , per lb.	\$1.079	\$0.064	\$1.143
BOD ₅ , per 1000 gallons	\$2.297	\$0.135	\$2.432
TSS, per lb.	\$0.441	\$0.034	\$0.475
TSS, per 1000 gallons	\$0.884	\$0.068	\$0.952
Customer Service per Account per Year	\$55.357	\$2.729	\$58.086
Combined Volume & Waste Load, per 1000 gallons	\$4.900	\$0.769	\$5.669

The current user charge system uses a customer service charge, fixed for a given period, usually a 12-month period, to support the fixed and administrative costs of service which are generally uniform among all users. It also includes a unit volume based user charge which uses the metered water volume delivered to each customer of the District. For residential

users, the volume based user charge is fixed on the basis of the average metered water to each user during the December, January and February billing periods. Nonresidential users are billed on the basis of the metered water during each billing period.

D. EXISTING RESERVES

The District has been well operated and has developed operating revenues (unrestricted) as well as plant investment fees or tap fees for the purpose of future capital expenditures. These accounts are both restricted and unrestricted in nature: As of December 31, 2018 the following is the balance of the reserve accounts established by the District:

TABLE IV-3
FOUNTAIN SANITATION DISTRICT
RESERVE ACCOUNT BALANCES AT DECEMBER 31, 2018

	Fountain Sanitation	Jimmy Camp Creek Enterprise	Total Funds
General Reserve - UNRESTRICTED	\$7,616,499	\$1,217,505	\$8,834,004
Operations & Maintenance Reserve - RESTRICTED per loan covenant	\$0	\$522,987	\$522,987
LFMSDD Reserve - RESTRICTED by policy	\$0	\$768,491	\$768,491
Contingency Reserves - RESTRICTED by policy	\$76,479	\$0	\$76,479
Emergency Reserve - RESTRICTED per TABOR	\$83,756	\$83,733	\$167,489
Renewal and Replacement Reserve - RESTRICTED by policy	\$2,413,725	\$0	\$2,413,725

E. SUMMARY OF INCOME STATEMENT AUDIT REPORTS

A review of the District's audit reports and monthly income statements indicates that the District has consistently been financially well managed. There appears to have been prudent accumulation of reserves from revenue and budgeted use of current revenue for operations and renewal and replacement expenditures. Year over year the revenue exceeds expenditures with the ability to save for future capital improvement projects. Table IV-4 at page IV-12 is a summary of the audited income statements for years 2015 through 2018.

For the Fountain Sanitation Fund, the average annual surplus operating revenue from 2015 through 2018 is \$1,204,160. The operating expenditures include renewals and replacements. Ideally, the capital expenditures for the District should be covered by plant investment fees (tap fees) and/or from the accumulated reserves from prior tap fee collection. For the years 2015-2018 for the Fountain Sanitation Fund, the capital expenditures exceeded the annual tap fees collected thus requiring the use of either the surplus of the operating revenue or a transfer from accumulated reserves.

For the Enterprise Fund (JCC), the average annual surplus operating revenue from 2015 through 2018 is \$2,597,121. The operating expenditures include renewals and replacements. As mentioned above, the capital expenditures for the District should be covered by tap fees and/or accumulated reserves from prior tap fee collection. For the years 2015-2018 for the Enterprise Fund, the tap fees exceeded capital expenditures by an average of \$859,559. In 2018, the Enterprise Fund had a significant capital expenditure for the nutrient removal project at the HDTRWRF. The Enterprise Fund has adequate cash flow for currently planned and implemented capital expenditures. The previously established plant investment fees have served well to provide accumulated reserves for funding significant capital expenditures and debt service.

TABLE IV-4
2015-2018 INCOME STATEMENTS
FROM AUDITED FINANCIAL REPORTS

Description	Fountain Sanitation Fund				Jimmy Camp Creek Enterprise			
	2015	2016	2017	2018	2015	2016	2017	2018
<i>Revenues</i>								
Taxes (property and personal ownership) ¹⁾	\$904,899	\$960,920	\$1,030,017	\$1,085,584	\$0	\$0	\$0	\$0
User Charges ²⁾	\$1,251,959	\$1,262,144	\$1,393,020	\$1,595,016	\$1,932,492	\$2,257,556	\$2,468,485	\$2,438,255
Operation Services for LFMSDD ³⁾					\$326,013	\$404,118	\$492,451	\$441,702
Plant Investment Fees	\$30,220	\$77,494	\$141,274	\$72,455	\$907,977	\$807,828	\$1,214,063	\$1,768,975
Other Revenue ⁴⁾	\$13,992	\$156,275	\$164,837	\$288,857	\$13,333	\$17,640	\$44,902	\$98,059
Total Revenues	\$2,201,070	\$2,456,833	\$2,729,148	\$3,041,912	\$3,179,815	\$3,487,142	\$4,219,901	\$4,746,991
<i>Expenditures</i>								
Total Operating Expenditures								
Sewage collection and Transmission	\$276,241	\$143,647	\$185,096	\$178,323	\$219,768	\$262,947	\$310,057	\$303,519
Sewage Treatment Plant	\$460,987	\$419,955	\$451,691	\$520,269	\$1,207,936	\$989,641	\$1,075,804	\$1,233,014
Sewage Administration	\$511,536	\$484,948	\$515,590	\$617,334	\$447,860	\$448,271	\$436,509	\$433,073
Capital Expenditures	\$95,391	\$140,383	\$365,031	\$442,082	\$323,924	\$106,079	\$400,502	\$31,336
Renewals and Replacements	\$0	\$451,400	\$188,141	\$17,359	\$0	\$57,212	\$4,851	\$139,470
Total Expenditures	\$1,344,155	\$1,640,333	\$1,705,549	\$1,775,367	\$2,199,488	\$1,864,150	\$2,227,723	\$2,786,477
Net Revenue	\$856,915	\$816,500	\$1,023,599	\$1,266,545	\$980,327	\$1,622,992	\$1,992,178	\$1,960,514
Operating Net Revenue ⁵⁾	\$922,086	\$879,389	\$1,247,356	\$1,636,172	\$396,274	\$816,928	\$803,617	\$222,875
Capital Net Revenue ⁶⁾	(\$65,171)	(\$62,889)	(\$223,757)	(\$369,627)	\$584,053	\$806,064	\$1,188,561	\$1,737,639

- 1) Ad valorem taxes and personal property tax assessed within Fountain Sanitation District institutional boundaries
- 2) User charges are generated from monthly customer billings
- 3) IGA contract service revenue from LFMSDD which is a direct correlation with the sewage administrative fees for the JCC Basin
- 4) Other revenue includes investment and miscellaneous income
- 5) Operating net is the difference between operating revenue (which does not include plant investment fees) less operating expenditures and renewals and replacements
- 6) Capital net is the difference between plant investment fees and capital expenditures

SECTION V
FUTURE FINANCIAL CONDITION

A. COST OF SERVICE

1. Inflation

In evaluating the future cost of service for the District, the rate of inflation was projected equally across all categories. The rate of inflation is commonly measured with the Consumer Price Index (CPI). It is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The CPI will impact all components of the cost of service including salaries, equipment, renewals and replacements, and utilities. The average CPI for a 12-month period in the last 20 years is 2.19% for the United States.

There are certain cost elements that are not necessarily reflective of the CPI changes year to year in the marketplace. The most notable of recent concern is that for employee group insurance. For purposes of this analysis, a compounded 6% annual change has been incorporated. Although the District has not ordinarily experienced consistent annual changes, this approach can also be considered as a change of 12.4% every two years, or 19.1% every three years. There have been other adjustments in the year to year estimates of the cost of service particularly reflected on construction related activities as a result of the robust construction industry at this point in time.

2. Growth

It is anticipated that the District will continue to grow as there are still significant land areas within the District boundaries available for development. The District has seen a 1.82% increase in customer accounts annually, averaged over the last 10 years. It is anticipated that the District will continue to grow at this rate into the future, especially as cost of living is lower in the City of Fountain in comparison with Colorado Springs. For purposes of this Wastewater Rate Study, it is assumed that the District will grow by 110 single family equivalents annually for the next 5 years. This is equivalent to a 1.26% increase for the next calendar year and decreases to 1.20% by 2024. This is deemed to be relatively

conservative for use in projections of revenue on no less than a five-year period. The 2018 El Paso County Water Master Plan projects continued growth in the general area of the FSD service area.

B. CAPITAL IMPROVEMENT PLAN

Capital improvements to improve the capability of the wastewater system, particularly treatment capability for nutrient control, require a significantly greater planning horizon. WQCC Regulation No. 31, which will address nutrient water quality standards, is planned to be effective in 2026 with implementation in discharge permits with nutrient effluent limits commencing with permits issued in 2027 or after. This will not impact the next discharge permit which will ordinarily expire in 2025, but will likely impact the following permit, which will allow five years for compliance; meaning an implementation period that may be 2030 - 2035 at the earliest. Therefore, nutrient control projects are not within the planning period of this rate study.

As presented in Section IV of this Report, the renewals and replacements together with other capital improvements is presented in Table IV-1. That presentation also includes the annualized value on a five-year rolling basis for which the cost of service will be applied.

C. PROJECTED COST OF SERVICE

The results of this 2019 Wastewater Rate Study have been centered around a detailed cost of service analysis for a period of five years, year 2020 through year 2024. Table V-1 represents the detailed worksheet with projected costs applied to the District's current chart of accounts including both the Fountain Sanitation fund and the JCC Enterprise fund. This cost of service has been reduced to unit costs based on accounts which require customer service charges to be assessed, together with waste load in terms of volume, organic load and solids load shown in Table V-2.

As previously discussed in this Report, it is intended that the waste load unit cost be consolidated into a single unit charge based on volume. However, the organic and solids loads unit cost can be utilized by the District should it become necessary to provide for surcharges to a given discharger who has extraordinary waste characteristics. Table V-3 is a summary of the unit costs by service units resulting from this analysis.

TABLE V-1
COST OF SERVICE PROJECTIONS

Operating Expenditures	FSD Actual 2015	FSD Actual 8-Jul-05	FSD Actual 2017	FSD Actual 2018	FSD 2017-2018 % Change	FSD Budget 2019	FSD Projected 2020	FSD Projected 2021	FSD Projected 2022	FSD Projected 2023	FSD Projected 2024		Enterprise Actual 2015	Enterprise Actual 2016	Enterprise Actual 2017	Enterprise Actual 2018	FSD 2017-2018 % Change	Enterprise Budget 2019	Enterprise Projected 2020	Enterprise Projected 2021	Enterprise Projected 2022	Enterprise Projected 2023	Enterprise Projected 2024	
																								District Administration
Personnel Services:																								
Salaries and Wages	158,804	168,715	188,191	231,968	23.26%	287,597	\$ 293,349	\$ 299,216	\$ 305,200	\$ 311,304	\$ 317,530		-	-	-	-		-	-	-	-	-	-	
Overtime	260	57	-	390		5,752	\$ 5,867	\$ 5,984	\$ 6,104	\$ 6,226	\$ 6,351		-	-	-	-		-	-	-	-	-	-	
FSD Admin Services Expense of LF OPS	-	-	-	-		-	\$ -	\$ -	\$ -	\$ -	\$ -		24,000	22,000	24,000	24,000		24,000	25,000	25,000	26,000	26,000	27,000	
Worker's Compensation	4,285	6,520	247	799	223.62%	7,934	\$ 8,092	\$ 8,254	\$ 8,419	\$ 8,588	\$ 8,759		-	-	-	-		-	-	-	-	-	-	
HRA Expense	6,195	5,529	5,910	9,974	68.76%	14,667	\$ 14,961	\$ 15,260	\$ 15,565	\$ 15,877	\$ 16,194		-	-	-	-		-	-	-	-	-	-	
Group Insurance	27,510	34,755	39,552	41,809	5.71%	60,910	\$ 64,564	\$ 68,438	\$ 72,544	\$ 76,897	\$ 81,511		-	-	-	-		-	-	-	-	-	-	
F.I.C.A	11,111	12,974	14,636	17,789	21.55%	22,441	\$ 22,890	\$ 23,348	\$ 23,815	\$ 24,291	\$ 24,777		1,755	1,602	1,755	1,755		1,836	1,913	1,913	1,989	1,989	2,066	
Retirement Plan	(5,917)	8,506	9,413	10,367	10.13%	14,667	\$ 14,961	\$ 15,260	\$ 15,565	\$ 15,877	\$ 16,194		-	-	-	-		-	-	-	-	-	-	
Education Plan Allowance	-	-	-	-		4,688	\$ 4,781	\$ 4,877	\$ 4,974	\$ 5,074	\$ 5,175		-	-	-	-		-	-	-	-	-	-	
Directors Fees	6,800	5,500	6,600	6,900	4.55%	7,750	\$ 7,750	\$ 7,750	\$ 7,750	\$ 7,750	\$ 7,750		-	-	-	-		-	-	-	-	-	-	
LF General Admin IGA Expense	-	-	-	-		-	\$ -	\$ -	\$ -	\$ -	\$ -		8,673	2,307	9,562	(13,838)		8,525	8,696	8,869	9,047	9,228	9,412	
Subtotal Personnel Services:	\$ 209,048	\$ 242,556	\$ 264,548	\$ 319,997	21%	\$ 426,406	\$ 434,934	\$ 443,632	\$ 452,505	\$ 461,555	\$ 470,786	\$ 452,683	\$ 34,428	\$ 25,910	\$ 35,318	\$ 11,918	-66%	\$ 34,361	\$ 35,608	\$ 35,782	\$ 37,036	\$ 37,217	\$ 38,478	
Supplies:																								
Office	3,407	2,349	3,129	3,657	16.85%	4,585	\$ 4,677	\$ 4,770	\$ 4,866	\$ 4,963	\$ 5,062		-	-	-	-		-	-	-	-	-	-	
Janitorial	437	242	339	127	-62.59%	832	\$ 1,000	\$ 1,030	\$ 1,061	\$ 1,093	\$ 1,126		-	-	-	-		-	-	-	-	-	-	
Vehicle Fuel	1,409	991	1,249	2,692	115.54%	5,894	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500		-	-	-	-		-	-	-	-	-	-	
Computer/IT	2,748	2,825	1,914	4,867	154.22%	18,254	\$ 18,250	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000		-	-	-	-		-	-	-	-	-	-	
Small Office Equipment	863	258	220	1,041	373.97%	1,310	\$ 1,336	\$ 1,363	\$ 1,390	\$ 1,418	\$ 1,446		-	-	-	-		-	-	-	-	-	-	
Operating Supplies	2,182	1,697	3,185	4,474	40.47%	4,585	\$ 4,677	\$ 4,770	\$ 4,866	\$ 4,963	\$ 5,062		-	-	-	-		-	-	-	-	-	-	
Subtotal Supplies:	\$ 11,046	\$ 8,362	\$ 10,036	\$ 16,857	68%	\$ 35,461	\$ 33,440	\$ 25,434	\$ 25,683	\$ 25,937	\$ 26,196	\$ 27,338	\$ -	\$ -	\$ -	\$ -	\$ -							
Administration Repair/Maintenance:																								
Vehicle / Equipment	1,696	968	329	755	129.33%	4,900	\$ 2,500	\$ 2,550	\$ 2,601	\$ 2,653	\$ 2,706		-	-	-	-		-	-	-	-	-	-	
Office Building	5,271	1,259	1,233	2,458	99.33%	6,825	\$ 2,400	\$ 2,400	\$ 6,000	\$ 6,120	\$ 6,242		-	-	-	-		-	-	-	-	-	-	
Subtotal Administration R & M:	\$ 6,967	\$ 2,227	\$ 1,562	\$ 3,213	106%	\$ 11,725	\$ 4,900	\$ 4,950	\$ 8,601	\$ 8,773	\$ 8,948	\$ 7,235	\$ -	\$ -	\$ -	\$ -	\$ -							
Purchased Services:																								
Office Equip Repair/Service Contracts	1,653	4,437	5,890	3,255	-44.73%	8,870	\$ 9,047	\$ 9,228	\$ 9,413	\$ 9,601	\$ 9,793		-	-	-	-		-	-	-	-	-	-	
Legal Publications	358	451	303	309	1.99%	1,365	\$ 1,400	\$ 500	\$ 1,500	\$ 600	\$ 1,600		-	-	-	-		-	-	-	-	-	-	
Membership Dues	2,168	2,307	6,588	8,116	23.20%	20,470	\$ 21,000	\$ 21,000	\$ 21,500	\$ 21,500	\$ 22,000		-	-	-	-		-	-	-	-	-	-	
Internet / Web Site Services	630	1,445	281	568	101.83%	4,094	\$ 5,000	\$ 5,250	\$ 5,513	\$ 5,788	\$ 6,078		-	-	-	-		-	-	-	-	-	-	
Newsletter Publication / Postage	3,542	4,127	-	3,914		8,188	\$ 8,597	\$ 9,027	\$ 9,478	\$ 9,952	\$ 10,450		-	-	-	-		-	-	-	-	-	-	
Administrative Utilities	13,420	12,328	14,536	17,452	20.06%	25,245	\$ 25,000	\$ 26,250	\$ 27,563	\$ 28,941	\$ 30,388		-	-	-	-		-	-	-	-	-	-	
Legal Consultants	10,222	14,700	8,816	18,853	113.85%	36,504	\$ 28,000	\$ 28,560	\$ 29,131	\$ 29,714	\$ 30,308		-	-	-	-		-	-	-	-	-	-	
Accounting / Auditing Contract	27,340	18,270	18,840	18,841	0.00%	34,798	\$ 23,460	\$ 23,929	\$ 24,408	\$ 24,896	\$ 25,394		-	-	-	-		-	-	-	-	-	-	
Contract Empl/Related Prof. Services	27,228	27,850	41,167	35,331	-14.18%	91,490	\$ 65,000	\$ 68,250	\$ 71,663	\$ 75,246	\$ 79,008		-	-	-	-		-	-	-	-	-	-	
Engineering Services	23,351	7,373	14,783	14,918	0.91%	7,500	\$ 7,650	\$ 7,803	\$ 7,959	\$ 8,118	\$ 8,281		-	-	-	-		-	-	-	-	-	-	
Administration Travel Expenses	1,546	1,782	2,372	2,241	-5.51%	9,553	\$ 9,744	\$ 9,939	\$ 10,138	\$ 10,341	\$ 10,548		-	-	-	-		-	-	-	-	-	-	
Administration Training Expenses	1,632	1,183	-	801		4,776	\$ 4,871	\$ 4,969	\$ 5,068	\$ 5,169	\$ 5,273		-	-	-	-		-	-	-	-	-	-	
Subtotal Purchased Services:	\$ 113,090	\$ 96,253	\$ 113,576	\$ 124,600	9.7%	\$ 252,852	\$ 208,770	\$ 214,705	\$ 223,333	\$ 229,866	\$ 239,119	\$ 223,158	\$ -	\$ -	\$ -	\$ -	\$ -							
Fixed Charges:																								
Insurance on Buildings	10,069	12,941	17,792	53,649	201.53%	22,908	\$ 25,000	\$ 25,750	\$ 26,523	\$ 27,318	\$ 28,138		-	-	-	-		-	-	-	-	-	-	
Insurance on Vehicles	5,597	5,473	5,388	(2,683)	-149.79%	8,188	\$ 8,597	\$ 9,027	\$ 9,478	\$ 9,952	\$ 10,450		-	-	-	-		-	-	-	-	-	-	
Liability Insurance	27,111	12,469	14,478	15,328	5.87%	20,266	\$ 20,672	\$ 21,085	\$ 21,507	\$ 21,937	\$ 22,376		-	-	-	-		-	-	-	-	-	-	
Bank Service Charges	324	222	-	331		400	\$ 400	\$ 400	\$ 400	\$ 400	\$ 400		-	-	-	-		-	-	-	-	-	-	
County Treasurer Fees	17,491	14,106	14,617	20,465	40.01%	19,041	\$ 21,000	\$ 21,630	\$ 22,279	\$ 22,947	\$ 23,636		-	-	-	-		-	-	-	-	-	-	
Billing Fees/City of Fountain	65,578	60,113	65,578	65,578	0.00%	67,545	\$ 69,572	\$ 71,659	\$ 73,809	\$ 76,023	\$ 78,304		-	-	-	-		-	-	-	-	-	-	
Election Expenses	-	-	-	-		500	\$ 4,000	\$ 500	\$ 4,000	\$ 500	\$ 4,000		-	-	-	-		-	-	-	-	-	-	
Penalties and Fines	-	-	-	-		2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500		-	-	-	-		-	-	-	-	-	-	
Debt Service-P&I With Admin Fee	-	-	-	-		-	\$ -	\$ -	\$ -	\$ -	\$ -		414,121	420,221	420,316	420,979		429,398	414,386	416,702	419,328	416,210	413,378	
Subtotal Fixed Charges:	\$ 126,170	\$ 105,324	\$ 117,854	\$ 152,667	29.5%	\$ 140,948	\$ 143,767	\$ 146,642	\$ 149,575	\$ 152,566	\$ 155,618	\$ 149,634	\$ 414,121	\$ 420,221	\$ 420,316	\$ 420,979	0.2%	\$ 429,398	\$ 414,386	\$ 416,702	\$ 419,328	\$ 416,210	\$ 413,378	
Total Operating Expenditures:	\$ 466,320	\$ 454,721	\$ 507,577	\$ 617,334	21.6%	\$ 867,390	\$ 884,738	\$ 902,433	\$ 920,482	\$ 938,891	\$ 957,669	\$ 920,843	\$ 448,549	\$ 446,131	\$ 455,634	\$ 432,897	-5.0%	\$ 463,759	\$ 449,994	\$ 452,484	\$ 456,364	\$ 453,427	\$ 451,856	
Non-Operating Expenditures:																								
Debt Service (Interest Expense)	-	-	-	-		-	\$ -	\$ -	\$ -	\$ -	\$ -		-	-	-	-		-	-	-	-	-	-	
Bad Debt Expense	-	-	-	-		-	\$ -	\$ -	\$ -	\$ -	\$ -		-	-	-	-		-	-	-	-	-	-	
Admin. Improvements/Equipment	-	8,970	12,139																					

TABLE V-2

FOUNTAIN SANITATION DISTRICT 2020 BASIS OF USER CHARGES (All Basins)

	2020 Projected Budget Amount	Flow, MG		BOD ₅ , lbs.		TSS, lbs.		Customers		Check Total		
		End 2nd Quarter 2019										
		%	Amount	%	Amount	%	Amount	%	Amount			
Collection & Transmission		593.61	1,263,700	1,190,200	7,985							
Operations	814,359	93.80%	763,869	0.06%	489	0.00%	-	6.14%	50,002	814,359		
Renewals & Replacements-5-Yr Average Annual Cost	1,161,740	100.00%	1,161,740	0.00%	-	0.00%	-	0.00%	-	1,161,740		
TOTAL-COLLECTION & TRANSMISSION-Ops & R/R	1,976,099	97.44%	1,925,609		489		-	2.56%	50,002	1,976,099		
Capital Improvement Projects	134,500	99.32%	133,585	0.00%	-	0.00%	-	0.68%	915	134,500		
TOTAL-COLLECTION & TRANSMISSION-Ops, R/R & CIPs	2,110,599	97.56%	2,059,194	0.02%	489	0.00%	-	2.41%	50,916	2,110,599		
Wastewater Treatment												
Operations	2,674,188	18.96%	507,026	57.19%	1,529,368	21.13%	565,056	2.72%	72,738	2,674,188		
Renewals & Replacements	594,100	25.00%	148,525	50.00%	297,050	25.00%	148,525	0.00%	-	594,100		
Portion Administration Personnel Services			-		-		-		-	-		
TOTAL-WASTEWATER TREATMENT-Ops & R/R	3,268,288	20.06%	655,551		1,826,418		713,581	2.23%	72,738	3,268,288		
Capital Improvement Projects	846,000	25.00%	211,500	50.00%	423,000	25.00%	211,500	0.00%	-	846,000		
TOTAL - TREATMENT-Ops, R/R & CIPs	4,114,288	21.07%	867,051	54.67%	2,249,418	22.48%	925,081	1.77%	72,738	4,114,288		
Administration												
Personnel services	470,542	38.43%	180,829	9.17%	43,149	9.17%	43,149	43.22%	203,368	470,495		
Supplies	33,440	11.07%	3,702	0.00%	-	0.00%	-	88.93%	29,738	33,440		
Repairs/Maintenance	4,900	25.00%	1,225	0.00%	-	0.00%	-	75.00%	3,675	4,900		
Purchased Services	208,770	31.80%	66,389	1.74%	3,633	1.74%	3,633	64.72%	135,116	208,770		
Fixed Charges WITHOUT Loan P&I and Admin Fee	179,375	1.00%	1,794	1.00%	1,794	1.00%	1,794	97.00%	173,994	179,375		
WRPDA Loan P&I and Admin Fee	414,386	19.45%	80,598	56.60%	234,542	21.44%	88,844	2.50%	10,360	414,345		
Renewals & Replacements	54,900	80.99%	44,464	0.00%	-	0.00%	-	19.01%	10,436	54,900		
TOTAL-ADMINISTRATION-Ops & R/R WITHOUT DEBT SERVICE	951,926	31.35%	298,402	5.10%	48,575	5.10%	48,575	58.44%	556,327	951,880		
Capital Improvement Projects	19,100	0.00%	-	0.00%	-	0.00%	-	100.00%	19,100	19,100		
TOTAL-ADMINISTRATION-Ops, R/R, CIPs WITHOUT DEBT SERVICE	971,026	30.73%	298,402	5.00%	48,575	5.00%	48,575	59.26%	575,427	970,979		
Renewal/Replacement Projects	1,810,740	74.82%	1,354,729		297,050		148,525	0.58%	10,436	1,810,740		
SUMMARY AND UNIT COST CALCULATION												
OPERATIONS-COLLECTION & TRANSMISSION	814,359		763,869		489		-		50,002	814,359		
OPERATIONS-WASTEWATER TREATMENT	2,674,188		507,026		1,529,368		565,056		72,738	2,674,188		
TOTAL-ADMINISTRATION	537,540		217,804		(185,967)		(40,269)		545,967	537,535		
TOTAL - ALL OPERATING COSTS WITHOUT DEBT SERVICE	4,026,087		1,488,699		1,343,889		524,786		668,707	4,026,081		
TOTAL - ANNUALIZED FUTURE R&R	1,810,740		1,354,729		297,050		148,525		10,436	1,810,740		
TOTAL - ANNUALIZED FUTURE CIPs	999,600											
Basis of User Charges		Flow	BOD ₅	TS	Customers=SFEs							
Service Units From Above		593.61 MG	1,263,700 lbs.	1,190,200 lbs.	7,985 each							
Unit Cost of Operations WITHOUT Debt Service		\$2.508 per kgal.	\$1.063 per lb.	\$0.441 per lb.	\$83.745 per year					\$6.98 per month		
Unit Costs with Annualized Future R&R Funding		\$4.790 per kgal.	\$1.299 per lb.	\$0.566 per lb.	\$85.052 per year					\$7.09 per month		
	7,250,813	\$2.282	\$0.235	\$0.125	\$1.307							

Although the presentation of the cost of service addresses five years, prior discussions with the staff and Board of Directors has indicated that the District will give priority to development and assessment of new user charges on a year-to-year basis. As of the writing of this Report, it is not planned that a user charge will be adopted which may appear to be sufficient for two or more years; the concept being that a smaller, more frequent change in user charges may be more acceptable and responsive to changing conditions going forward. The five-year projections can certainly be utilized to examine each year's budgets as to revenue needs and changes made in user charges accordingly.

TABLE V-3
SUMMARY - FSD COST OF SERVICE BY SERVICE UNITS
WITHOUT DEBT SERVICE

Service Unit	Unit Cost		Total - Operations and Renewals & Replacements
	Operations Only	Renewals & Replacements	
Volume, per 1,000 gallons	\$2.508	\$2.282	\$4.790
BOD ₅ , per lb.	\$1.063	\$0.235	\$1.299
BOD ₅ , per 1000 gallons	\$2.263	\$0.500	\$2.763
TSS, per lb.	\$0.441	\$0.125	\$0.566
TSS, per 1000 gallons	\$0.884	\$0.251	\$1.135
Customer Service per Account per Year	\$83.745	\$1.307	\$85.052
Combined Volume & Waste Load, per 1000 gallons	\$5.655	\$3.033	\$8.688

SECTION VI USER CHARGE SYSTEM EVALUATION

One element of the user charge system evaluation in the 2019 Wastewater Rate Study is to briefly examine the basis of user charges. As has been presented in this Report, the current system provides for a customer service charge, which is a fixed fee intended to compensate the District for fixed costs of its wastewater management system operation. In addition, a variable fee based on metered water volumes delivered to property serviced by the District is included. For residential properties, that volume charge is based on the average of a period of time when the water delivered to the property should be nearly equal to that which is discharged from the property with a minimum amount of consumptive use. Commercial properties are billed based on the water delivered to the property in any given billing period together with the customer service charge.

Three alternative approaches are briefly discussed with advantages and disadvantages of each examined.

A. ALTERNATIVE USER CHARGE SYSTEMS

1. Tap or Connection Size

One approach that is often used as the basis of wastewater user charges is a flat fee rate based on water meter size. There are a number of communities that use this as a user charge system. The City of Fountain water rates are based on tap size; therefore, this information should be relatively easy to obtain. However, it is understood, that almost all users in the system have a 3/4 inch tap and meter including many commercial users. There are few users in the system that have larger water tap sizes.

This particular approach to user charges does not account for variation in use between customers, be they a single member family user or eight member single family user. In addition, the application to commercial users does not address the variation in use. The attempt at using a user charge system that demonstrates equity among users is lost with this approach.

This approach is indeed simpler than utilizing some attempt at measurement of the contribution to the wastewater system from each user. However, it has been proven in the past that there are tools available to obtain a reasonable level of equity among users with variable discharge volumes to the District's wastewater management system.

2. Fixed Rate for Detached Residential User Class

An alternative rate system which could be considered is to utilize a fixed rate for all detached residential users. This would be in lieu of making the annual adjustment of the user charge based on water consumed during a period of minimal outside house use. This particular rate system would eliminate the potential for variation from year to year among users.

The benefit of this system would be to eliminate the annual changes in user charges, outside of any across the board changes. It does however, eliminate the basic principle of maximizing equity among all users. Basically all single family detached residential users would pay the same rate, regardless of how much wastewater was discharged to the District's system.

3. Fixed Rate Based on Drainage Fixture Units (DFUs)

User fees could be a fixed fee based on the drainage fixture units (DFUs) located in the property of each customer. The concept of drainage fixture units is established in the current plumbing code utilized by the Pikes Peak Regional Building Department and is accepted as an industry standard. It assesses the relative capacity of plumbing fixtures that are connected to the wastewater disposal system. It is a measure of the wastewater discharge capacity in a given structure, be it a single family residence, multi-family dwelling units, or commercial facilities. A minimum monthly flat fee would be established with an incremental flat fee for each drainage fixture unit connected to the structure's wastewater collection system.

Going forward, the drainage fixture unit assessment could be obtained when a building permit application is made and passed through the District for acceptance and completion of the application for service. The FSD presently uses drainage fixture units as a basis of assessment of plant investment fees or tap fees, so that information is available.

Looking back to existing customers, a change in the system would be necessary either by surveying each individual customer, asking for the customer's input using a questionnaire or survey means, or assigning arbitrary DFU assessments based on structure size. It may be possible to develop an equivalent DFU rating from the District's historic records of water use for each customer.

Although there are wastewater utilities that use this system, it is usually those which have historically had an equivalent residential unit (EQR) assessment for plant investment fees for all existing users. With that basis, a DFU equivalency per equivalent residential unit can be made and adjustments in user charge system made accordingly. This system is particularly applicable where metered water use for each customer is not available to the wastewater utility.

In the case of the FSD, a change to an alternative system of this nature for existing customers would be a monumental issue and likely, not a significant benefit. Based on this consultant's opinion, this has the potential for being less equitable than the use of winter metered water quantities to a given user with annual adjustments.

This could be seen as inequitable for those residential customers who have historically had lower water consumption due to lifestyle or the number of members of their household but have a large home with a large number of plumbing fixtures and thus DFUs. In turn a smaller home with a lower number of DFUs, could have more occupants yielding a higher water use but would have a lower bill.

This fee-based system would require the District to complete a survey of all customers to determine the number of DFUs for each customer. This information may be easier to acquire for customers with newer builds where the tap fee was based on the DFUs. Older builds would require an actual survey of the homes to be completed or a look-up of information available through the assessor's office for the number of bathrooms. All approaches for this rate structure would be time consuming for the District staff and would be a burden to the staff. If this rate structure were to be implemented, it would take at least a year before new rates could be implemented as the information would need to be collected and then an additional analysis would be required to attain a reasonable level of assurance that the data obtained was accurate.

4. Multi-Family Alternative

The District's rate system bills multi-family residential units based on metered water delivered to the customer on a per billing period basis. These multi-family customers are considered commercial customers in the rate classifications. Even though it is a residential use, it is not based on only the winter water use between December and February. This system has historically been used because of variation in occupancy over which the District has no control nor record keeping ability.

This particular system obviously would include out-of-house use as well as domestic use in the event the multi-family residential structure had only a single water meter for all demand requirements.

The City of Fountain could provide for a separately metered "branch" for the irrigation or out-of-house use of supply. This would be operated in parallel with the metered use for in-house use. There would obviously be an added cost for the initial construction of the irrigation system meter assembly and the property owner would be subject to a monthly minimum on the irrigation meter set under current City of Fountain rate covenants. Although not a specific policy at this point in time, it is possible that such a parallel metering system could be established without an additional tap fee or water resource development fee as there would be no material change in water demand, but only a modification to the manner in which the usage is measured.

B. EXISTING METHODOLOGY

Pending further discussion of this matter with the District Board of Directors and staff, it is suggested that there be no change in the user charge system which has been used for the last several years. It appears as if there has been the appropriate management systems in place to effectively use it and it remains to demonstrate a reasonable attempt at equity among all users.

The major point of "inequity," would be those non-residential users which are assessed wastewater charges when a portion of the metered water upon which wastewater charges are based does not result in a direct discharge to the District's wastewater management system. The option exists for the user to obtain a separate and parallel metered system which would

not be subject to wastewater charges. It may behoove the Fountain Sanitation District to work with the City of Fountain for an equitable financial arrangement to affect those kinds of arrangements on a customer's request.

C. PROPOSED USER CHARGE STRUCTURE

The Fountain Sanitation District customers have flow directed to two treatment facilities: RJCII and the HDTRWRF (operated by LFMSDD). The cost of service for residential customers varies depending on where the wastewater is treated. In the past, there have been two different user charges depending on the cost of wastewater treatment service. However, the Board of Directors changed this approach in 2016. Since that time, all users have been subject to the same rate schedule regardless of the specific cost of wastewater treatment services. For purposes of this study, the proposed rates continue the current policy using the same unit rates throughout the District's service area.

Utilizing the customer service charge and volume based unit user charge values developed in this evaluation together with the District's 2019 budget document, a basic revenue model has been developed. To support the basic cost of service, it is recognized that the costs of service do not contain any contingencies or allowances for accumulation of reserves for major capital improvements which will be required in the distant future. This revenue model only utilizes the cost of service projected for 2020, renewal and replacement items and capital improvements projected for implementation in the next five years, 2020 through 2024.

Based on discussions with the Board of Directors, future consideration of use of reserve funds must consider maintenance of unrestricted cash reserves of no less than the current year's cost of operations. For the immediate future and projections in this study, this is of no major consequence. The District's existing cash reserves currently satisfy that policy. In addition, current debt service owing the Colorado Water Resources and Power Development Authority (CWRPDA) will be supported by current accumulated and new plant investment fees. The outstanding debt principal as of December 31, 2018 is approximately \$4,880,793.

The District currently maintains operation and maintenance reserve funds in satisfaction of loan agreement covenants with the CWRPDA in an amount of \$294,000. Cash reserves for emergency operations have also been accumulated in accordance with statutory requirements. The District has also continuously accumulated reserved cash funds for

renewals and replacements as a matter of policy discussed in this review and evaluation of user charges.

The revenue model represented in Table VI-1 has been created to represent projected conditions for fiscal year 2020. Although the capital improvement plan and the cost of service analysis have been projected over ten and five years respectively, the Board of Directors has provided input to this effort expressing a desire to consider relatively small rate changes each year, rather than large rate changes less frequently, i.e. two or three years between rate changes. Therefore, for this current evaluation, rate proposals and the revenue model reflects fiscal year 2020 only.

TABLE VI-1
FOUNTAIN SANITATION DISTRICT
2020 REVENUE MODEL

USE OF FUNDS	2020 Amount	Total	Notes
Collections and Transmission	\$814,359		
Wastewater Treatment	\$2,674,188		
Administration	\$537,540		
Renewals and Replacements	\$1,810,740		
Capital Improvement Projects	\$999,600		
CWRPDA Loan Debt Service	\$414,486		
TOTAL USE OF FUNDS		\$7,250,913	
SOURCE OF FUNDS	2020 Amount	Total	Notes
2020 LFMSDD Service Agreement	\$495,000		
2020 Ad valorem Tax Proceeds	\$1,100,000		
2020 Specific Ownership Tax Proceeds	\$30,000		
2020 Investment Income	\$275,000		
JCC PIF Reserves for CWRPDA Loan Debt Service	\$414,486	\$2,314,486	
2020 Proposed CSC = \$6.98/mo	\$668,707		Per COS analysis; 12.04% Increase; Increase of \$9.00 per year
2020 Proposed Waste Volume Charge = \$6.86/1,000 gal (593.61 MG - Table V-2)	\$4,072,165	\$4,740,872	Assumed 5% increase over existing unit volume charge
TOTAL FUNDS AVAILABLE		\$7,055,358	
NET 2020 FUNDING		<\$195,555>	
Transfer of Unrestricted Reserves		\$195,555	
NET TOTAL USE AND SOURCE OF FUNDING		\$0	

1. Customer Service Charge

The cost of service evaluation accomplished to date indicates that the customer service charge on a monthly basis WITHOUT considerations of renewal and replacements in the District system would be \$6.98 per month, or \$0.75 greater than that which presently has been used since 2017. This single unit charge is a 12.04% increase, and amounts to an increase of \$9.00 per year for the typical single family equivalent.

2. Wastewater Commodity Charge - Volume Charge

The wastewater volume charge intended to be reflective of total waste load (volume, organic load and solids load) is \$6.86 per 1,000 gallons, or \$0.0686 per 10 gallons. This is compared to the cost of service with renewals and replacements, but without capital improvements and debt service of \$8.69 per 1,000 gallons. Refer to Table V-3, combined volume and waste load, total operations, renewals and replacements. Recognizing the annual rate increase which may be suitable for presentation to the District's constituents, the proposed rate of \$6.86 per 1,000 gallons is established as an increase of 5% over the existing volume charge.

Based on the single family equivalent of 4,280 gallons per billing period, this reflects an estimated single family equivalent monthly total user charge of \$36.34 with the customer service of \$6.98 per month shown in Table VI-1. This is comparable to the existing estimated typical single family equivalent monthly service charge of \$34.18, or an increase of \$2.16 per month and \$25.95 per year. This is an increase of 6.3% from existing to proposed rates, this being a change from existing rates that have been in effect for three years.

Please recognize that the revenue model reflects the use of unrestricted reserves in order to fund the anticipated use of funds and projected cost of service.

The proposed rates for the customer service charge and volume charge would be applicable to all user classes which are not subject to a surcharge or other special fees or charges.

SECTION VII PLANT INVESTMENT FEES - REVIEW AND EVALUATION

The Fountain Sanitation District has historically assessed plant investment fees (PIFs) as a condition of an initial connection of wastewater generators to the District's wastewater management system. For purposes of reference in this report, the term, "plant investment fees," or PIFs is the same as the common term "tap fees." The term PIFs has been used in this report in order to better differentiate between costs or fees assessed at the time a physical connection or "tap" is made, that cost generally being a reimbursement for the direct cost to the District of inspection and initial recordkeeping of a new connection to the District's system.

The overall concept of PIFs is an equitable allocation of the costs of development of wastewater management infrastructure necessary to properly manage domestic wastewater in the District's service area. That infrastructure includes collection and transmission facilities, together with wastewater treatment and disposal facilities and arrangements. It includes major capital infrastructure, but does not include recurring operation and maintenance activities, such as labor and expendable supplies and materials.

It is recognized that infrastructure, once constructed, does not have an indefinite useful life. However, it is normally considered that the District's obligation to provide adequate wastewater management facilities is in perpetuity. At some point, the infrastructure requires significant rehabilitation, repair or replacement. For purposes of the concept of PIF development, the costs associated with such rehabilitation, repair or replacement are considered to be supported by user charges and not a factor in consideration of PIFs.

As has previously been discussed and developed in this Report, user charges, or monthly or other periodic service charges, are generally for operation and maintenance of the District's wastewater management infrastructure. Maintenance of the infrastructure is assumed to include maintenance of ongoing capability to properly manage wastewater. This includes renewals and replacements to maintain that capability in perpetuity.

PIFs are the financial contribution by a new user to the system to purchase or "buy in" to existing wastewater management system assets which have previously been furnished by the District, or will be furnished in the future to properly manage wastewater from new connections in perpetuity.

A. BASIS OF DEVELOPMENT OF PLANT INVESTMENT FEES

There are several approaches to development of plant investment fees. Over the last 18 years, more or less, it appears a number of utilities in Colorado are utilizing the proceedings and findings in the *Krupp vs. Breckenridge Sanitation District* case, which was initially filed in District Court and was ultimately appealed by the plaintiff to the Colorado Supreme Court. The findings at all levels of judicial review were in favor of the defendant, the Breckenridge Sanitation District, as to the application of a particular methodology for the development of plant investment fees. Although they were commonly termed "impact fees" in some of the verbiage of that case, the concepts are the same; assessing the cost of the impact of new connections on the wastewater management system to those causing that impact and receiving the benefit of the services provided by the wastewater management system.

Based on discussion by various legal counsel and utility rate experts, it appears as if the findings in the Supreme Court decision will likely serve as a "benchmark" against which the assessment of plant investment fees will be measured for some time to come. As a point of reference, the City of Colorado Springs, through its enterprise, Colorado Springs Utilities, has consistently recited the approach tried in *Krupp vs. Breckenridge Sanitation District* as the basis upon which Colorado Springs Utilities has assessed its plant investment fees (known to Colorado Springs Utilities as development charges). A copy of the Colorado Supreme Court decision is provided in Appendix C.

The principles that have been set forth in this 2019 Wastewater Rate Evaluation cited as the basis of user charges in Section II, apply in a similar fashion to plant investment fees.

- Fees must be just and reasonable.
- Fees must bear a reasonable relationship to the District's purpose.
- Fees must bear a reasonable relationship to the District's current and/or future operating and capital costs.
- Fees reasonably related to the costs of providing service are not unreasonably discriminatory.
- Fees that are charged to a class of customers should provide revenues that are reasonably proportional to the costs of serving that class.

The approach proposed in this plant investment fee review and evaluation is to develop PIFs that are uniform for application across all user classes, residential, commercial and industrial. This is one major step in demonstrating equity among all user classes. It is incumbent upon the application and enforcement of the District's Sewer Use Regulations to assure compatible wastewater quality between residential, commercial and industrial. By the application of the provisions of the Sewer Use Regulations, it is presumed that non-residential wastewater is reasonably similar to residential wastewater. Thus, the uniform application of plant investment fees results in equity among all user classes. Additional expenditures required by commercial and/or industrial users to render their wastewater compatible with and similar to residential wastewater is a specific user requirement established by the District's Sewer Use Regulations.

B. PLANT INVESTMENT FEE DEVELOPMENT

The determination of the monetary value of the plant investment fee applicable to new users of the District's wastewater management system is described below. This appears to be consistent with industry practice and certain standards set by case law previously discussed.

- The original cost of all facilities in the District's wastewater management system are identified from the accounting records.

Appendix D contains a tabulation of the District's fixed assets as presented and available in the support data for the District's balance sheet assets. Based on interviews with the District's auditing firm, it is understood that a significant quantity of "old" wastewater collection system components are not presently carried in the asset tabulation of the District. For purposes of this PIF review and evaluation process, the quantities and components of all of the existing collection system facilities have been identified.

- The original cost of the existing facilities is adjusted to provide an estimate of current replacement costs.

By adjusting the facilities to current replacement costs, it recognizes the value expressed in terms of current replacement cost, subject to adjustments shown below, of the facilities made available to new users in the system. In the case of the wastewater collection system not presently identified in the District's asset

accounting, and updating asset value to current replacement value, current “late 2018-early 2019” construction costs have been applied to the collection system components. The current replacement value of the District’s wastewater collection system is tabulated in Appendix E.

- The current replacement cost of the wastewater management infrastructure is reduced to reflect the remaining useful life of the existing facilities.

Adjustment to reflect remaining useful life is a common approach in applying depreciation schedules; however, a pure accounting approach to this may not necessarily result in realistic values. Therefore, the current depreciation reflected in the data provided in Appendix D (pages 1 through 13 of 13) has been adjusted as necessary to reflect the professional opinion of GMS, Inc. as to the remaining useful life of the wastewater system components. It is recognized that this remaining useful life will be impacted by renewals, replacements, improvements and modifications made in the future. Adjustments to reflect those conditions should be made as the PIFs are reviewed from time to time, generally no less than bi-annually and modified accordingly.

- Anticipated capital projects in the District’s 10-year capital improvement plan have been identified and costs associated with implementation of those improvements assigned. The costs are based on late 2019-early 2020 price levels. It is recognized that when a project is planned for a number of years in the future, costs are likely to be different than early 2020 price levels. However, even if the costs were inflated for future expenditures, a determination of 2020 PIFs would require a reduction to present worth. Assuming the inflationary and the present worth factors are similar, the net effect on the 2020 PIF determination is the same.

Because of the increasing uncertainty in the project scope and value the farther in the future projections are made, the assignment of capital improvement costs for determination of plant investment fees are limited to a 10-year period. The 10-year capital improvement plan with projects identified by District staff and costs assigned by GMS, Inc. is provided in Table IV-1 of this report.

As previously discussed, certain future capital improvements are identified as renewals and replacements. Because these projects are not intended to create new capacity or modify existing capacity to attain new or better levels of treatment/wastewater management, they are not included in a plant investment fee. The general principle remains that the renewals and replacements are those projects necessary to maintain existing capacity or capability. Thus, benefits are realized by both existing and future customers. On that basis, renewals and replacements are included in user charges rather than PIFs.

The concept in the development of PIFs of reducing current replacement costs of infrastructure to reflect remaining useful life is integrated with the concept of user charges supporting rehabilitation, renewals and replacements. It would lack a high degree of equity if new users paid the full replacement costs of assets, when in fact they had a comparatively short remaining useful life. With the inclusion of renewals and replacements in user charges, they would be paying again for those assets, having just paid full replacement costs, and then again paying for renewals and replacements. Therefore, the reduction of replacement costs to reflect useful life remaining is consistent with the inclusion of renewals and replacements in user charges.

The following tabulation is the basis upon which the modified plant investment fee is proposed for the Fountain Sanitation District.

TABLE VII-1
FOUNTAIN SANITATION DISTRICT
PROPOSED PLANT INVESTMENT FEE

8. Estimated wastewater infrastructure replacement value	=	\$108,487,408
9. Reduction for expended useful life	=	\$26,211,830
10. Current replacement value adjusting for remaining useful life of wastewater infrastructure	=	\$82,275,579
11. Total value of 10-year capital improvement projects	=	\$41,471,000
12. Total existing and future wastewater infrastructure value	=	\$123,746,579
13. Maximum SFE capacity of wastewater management system, SFEs	=	21,914
14. PIF total current value/SFE capacity	=	\$5,647

C. APPLICATION OF PROPOSED PLANT INVESTMENT FEES

As indicated above, it is proposed that a uniform plant investment fee schedule be applied to all users and all user classes, residential, commercial and industrial. The District's existing plant investment fee structure includes two different rates for fees for users discharging to the RJCII treatment facility or the HDTRWRF. That difference was previously based on the major investments necessary to develop added treatment capability in participation and ownership of the HDTRWRF.

In the planning concepts of this 2019 Wastewater Rate Evaluation, it has been considered that major treatment facility improvements may be necessary in the not too distant future for the RJCII facility. Depending on the cost evaluation to be accomplished in approximately 8 to 10 years, either improvements at the RJCII or improvements and expansion of the District's ownership at the HDTRWRF will be necessary. With this concept, the District is of the opinion that a uniform plant investment fee across all users regardless of service from either treatment facility would be appropriate.

The equity for buy-in to existing infrastructure and financial support of future capital improvements will be comparatively equal, regardless of which treatment facility the user may discharge to in the short-term, i.e. next 5 to 8 years. With that approach, the development of plant investment fees will be on a District-wide basis, not separated by drainage basins or service areas of the District's two wastewater treatment facilities available to its users.

The proposed PIF is based on a single family equivalent with a minimum base fee applicable. It is proposed that the base fee would be applicable to 18 drainage fixture units (DFUs) or less in any given installation connected to the District's wastewater management system. An incremental PIF fee would apply for installations with more than 18 DFUs. This is the same approach or policy that has been utilized for more than 15 years.

It is proposed that the District adopt the base PIF of \$5,647 for 18 DFUs or less and an additional PIF per DFU assessed for DFUs connected exceeding 18. This proposed base PIF is \$343 less than the current base PIF applicable to the Jimmy Camp Creek service area.

Eighteen fixture units are representative of the following type of "single family equivalent" described in Table VII-2.

TABLE VII-2
SINGLE FAMILY EQUIVALENT DRAINAGE FIXTURE UNITS (DFUs)

Installation	DFUs
Kitchen	
Sink w/garbage grinder	2.0
Dishwasher	Incl. w/sink
Master Bath	
Combination tub and shower	2.0
Tank type water closet (1.6 gpf)	3.0
Lavatory sink	1.0
Second Bathroom	
Shower	2.0
Tank type water closet (1.6 gpf)	3.0
Lavatory sink	1.0
Laundry	
Automatic clothes washer	2.0
Laundry sink or handwash/vegetable sink	2.0
Floor drains	
Emergency floor drain at hot water heater & furnace	0
Total Fixture Units	18.0

The fixture units assigned to each of the plumbing fixtures identified in Table VII-2 are established by the current International Plumbing Code used by the Pikes Peak Regional Building Department.

It is common that facilities constructed in the District will contain plumbing fixtures which may direct wastewater to the District's wastewater management system exceeding the equivalence of 18 drainage fixture units. It is suggested that a unit plant investment fee be applicable to each fixture unit value exceeding the base value of 18 fixture units. For purposes of this plant investment fee determination, it is proposed that the additional fixture units be assessed at the rate of about 60% of the base fixture units, i.e., \$186 per fixture unit. This is the same incremental rate that has been in effect for more than ten (10) years.

The District has maintained detailed records of the drainage fixture units installed in each structure connected to its wastewater management system since instituting the system using drainage fixture units as a means of assessing plant investment fees. Historical records for typical tract detached single-family residential construction in subdivisions has indicated that on average, the connected DFUs exceed 30 in each structure. As a means of comparison, if a single-family structure is assessed at 30 fixture units, the total plant investment fee would be \$7,879. This is slightly less than a similar comparison to the current plant investment fee applicable to the Jimmy Camp Creek Basin.

The minimum proposed plant investment fee in the Fountain Creek Basin would increase by \$3,522 per single-family equivalent connected.

Commercial and industrial facilities containing typical domestic plumbing fixtures will be assessed in the same fashion as residential. Should there be extraordinary or atypical wastewater generation in a commercial or industrial application not itemized by the tabulation presented in the applicable Plumbing Code, it is suggested that single family equivalents in terms of hydraulic loading be determined. Detailed estimates of wastewater generation in an industrial process for instance will be developed by the industrial customer and reviewed by District staff. The assessment will be on the basis of one fixture unit for each 9.1 gallons per day of non-domestic wastewater to be contributed by the customer.

This equivalent hydraulic loading for non-domestic wastewater is based on there being 164 gallons per day per single-family equivalent (SFE) contributed from 18 drainage fixture units.

SECTION VIII RECOMMENDATIONS

The following are summarized recommendations to address changes in the FSD user charges and plant investment fees. In general, these are projected to very likely be effective for fiscal years 2020 and 2021. It is very important that these be examined at each annual budget cycle to confirm their continuing validity and applicability to the District's then existing operating conditions.

A. WASTEWATER USER CHARGES

It is recommended that the District continue its existing system of wastewater user charges assessing a fixed customer service charge for each billing period and a volume charge based on the metered water delivered to the premises of each customer. For projections of fiscal years 2020 and 2021, the following are recommended.

- Customer Service Charge = \$6.89 per billing period
- Waste Volume Charge = \$6.86, per 1,000 gallons (\$0.0686 per 10 gallons)

This represents a \$0.75 increase in the customer service charge. This single unit charge is an increase of 12.04%, amounting to \$9.00 per year for the typical residential customer. The wastewater volume charge represents an increase of 5% over the existing volume charge. Taken together, the typical residential customer would experience an increase of approximately 6.3% from existing to proposed rates with this recommendation. It is recognized that the current rates have been in effect for three years.

B. PLANT INVESTMENT FEES

For more than ten years, the District has operated a plant investment fee system having different rates of assessment in the Fountain Creek and Jimmy Camp Creek service areas. The purpose of this differential was due to the major capital investment required by the District to participate in the development and construction of the HDTRWRF serving the Jimmy Camp Creek service area. Going forward, improvements at the RJCII WWTF serving the Fountain Creek Basin will be necessary if it is to continue service at that location. This would bring it on par as to treatment capability with the HDTRWRF. If it does not continue service at the

existing location, similar improvements at the HDTRWRF would be required to accept the waste load from the Fountain Creek service area.

On this described basis, it is recommended that the District adopt a uniform plant investment fee across its entire service area.

The analysis accomplished in this 2019 Wastewater Rate Study has utilized this approach. Projecting the asset values as described in the methodology for plant investment fee development, it is recommended that a single family equivalent plant investment fee of \$5,647 be adopted. This is a minor decrease from that fee which has been assessed in the Jimmy Camp Creek service area for more than ten years. It is a \$3,522 increase from that assessed in the Fountain Creek Service area for more than the last ten years.

It is recommended that the same approach to assessment of plant investment fees for each new connection to the District's system as has been practiced be maintained. This methodology exhibits a high degree of equity among all users, basically the "user pay," concept being continued.

C. PERIODS TO IMPLEMENT REVISED USER CHARGES AND PLANT INVESTMENT FEES

It is recommended that the changes in user charges, as accepted by the Board of Directors, be initiated with the March 2020 billing period. This would be effective on those billings issued in April 2020 and be reflective of the December 2019 through February 2020 evaluation period for residential users and those non-residential users with separate irrigation meters.

It is recommended that any change in plant investment fees be initiated as of the beginning of the 2020 fiscal year, January 1, 2020.

**APPENDIX A – SEWAGE TREATMENT AND DISPOSAL
AGREEMENT BETWEEN LFMSDD AND FSD,
ET AL**

EXHIBIT "B"

SEWAGE TREATMENT AND DISPOSAL AGREEMENT

by and between the

LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT

organized pursuant to C.R.S., 32-4-501 *et seq.*

and the

FOUNTAIN SANITATION DISTRICT,

and the

COLORADO CENTRE METROPOLITAN DISTRICT,

and the

**CITY OF COLORADO SPRINGS on behalf of
COLORADO SPRINGS UTILITIES,
an Associated Municipality,**

and

**VINTAGE DEVELOPMENT COMPANY,
a Colorado corporation.**

Approved: January 15, 2009

Re- Published: October 2015

As Amended through: February 10, 2016

The Service Contract was executed on January 15, 2009, by the Lower Fountain Metropolitan Sewage Disposal District Board of Directors. This republished version includes proposed refinements and amendments for the Board of Directors approval consideration. It is intended to be a working copy and not a legal and binding copy.

RECITALS

WHEREAS, the District, located in El Paso County, Colorado, was organized on May 13, 1986, and its officers have been duly chosen and qualified; and

WHEREAS, the public interest demands the construction of a sewage disposal system (the "System") by the District as authorized by Colorado law; and

WHEREAS, the District has prepared and is revising plans and specifications for the District's System, its costs and rate schedules; and

WHEREAS, the District has the power:

- (1) To fix and adjust charges to the Connecting Entities for connection with or use of the District's System including minimum charges and service availability charges;
- (2) To pledge District Revenues for the repayment of District Securities; and
- (3) To borrow money, to issue Securities to evidence the amounts so borrowed, and to secure their repayment by a pledge of the District's Revenues; and

WHEREAS, the Board will conduct a public hearing after notice thereof at a meeting in El Paso County, Colorado, within the District, concerning the means of determining Service Charges, at which hearing any representative of any Connecting Entity or any other interested Person may appear and be heard; and

WHEREAS, after said hearing and meeting, the Board will adopt a Rate Schedule by resolution; and

WHEREAS, as authorized by C.R.S. §31-35-401 *et seq.*, the District may issue Securities for a portion or all of the District's System pursuant to a Resolution to be later adopted by its Board; and

WHEREAS, the District has acquired the necessary lands for the Project; and

WHEREAS, the District also has the power to enter into and perform, without an election, contracts for any term not exceeding fifty (50) years with any Municipality or Person concerning sewage facilities, their financing, planning, acquisition, construction, operation, maintenance and disposal, and the periodic payment of amounts to compensate the District for the costs of providing, operating and maintaining the sewage facilities; and

WHEREAS, each other party hereto has the power to contract with the District; and

WHEREAS, the District cannot finance the acquisition, operation and maintenance of the System, unless the District treats and disposes of the Sewage from the Contract Service Area shown on *Exhibit A*, and unless each Connecting Entity is legally bound to accept and pay for such service from the time the District's System begins operation; and

WHEREAS, the District, through its Connecting Entities and Associated Municipalities, desires to provide for financing the District's monetary and budget requirements from time to time by providing for annual charges (herein referred to as "Annual Charges") to be paid by each Connecting Entity and Associated Municipality as herein provided, in addition to Service Charges unilaterally fixed, charged, and collected by the District from the Connecting Entities independent of any such Annual Charges, and

otherwise appertaining to the District's Sewage Disposal System and to the Sewage System of a Connecting Entity; and

WHEREAS, the District, the Connecting Entities and the Associated Municipalities have determined to enter into this agreement (herein referred to as this "Service Contract" or this "Agreement") for the aforesaid purpose; and

WHEREAS, the above parties, and including all future signatories, to this Agreement commit and agree that each shall financially support the District through payments of fees, charges, pro-rated contributions and operation costs in return for District services provided prior to and after construction of the System; and

WHEREAS, the parties have determined to enter into this Agreement for these purposes.

NOW, THEREFORE, in consideration of the promises, mutual covenants and agreements herein contained and the performance thereof by the parties, and in order to secure the payment of the District's expenses and the payment of the principal of and the interest on any District's Securities, **THE PARTIES AGREE** as follows:

ARTICLE I

TITLE, DEFINITIONS AND INTERPRETATIONS

Section 101. Title

This Agreement may be referred to as the "Service Contract" or the "Agreement".

Section 102. Meanings and Construction

- A. Except as more specifically defined herein, the definitions listed in C.R.S. §32-4-502 are incorporated into this Agreement by this reference.
- B. When used in this Agreement, the terms defined in Section 102 C. or the Act are capitalized to indicate that they are specifically defined. If a term is capitalized and is not specifically defined in Section 102 C. of this Agreement, it shall have the meaning set forth in the Act.
- C. As used in this Agreement, unless the context otherwise requires:
1. "Act" means C.R.S. §32-4-501 *et seq.*, as amended from time to time.
 2. "Annual Budget" means the budget or the amended budget for a Fiscal Year and adopted by the District or in effect pursuant to Section 501 of this Agreement.
 3. "Annual Charges" means the sums paid or payable to the District pursuant to this Agreement, other than Service Charges.
 4. "Associated Municipality" means a Member Municipality, as herein defined, which is not a Connecting Municipality, as herein defined. The Associated Municipality presently is the City of Colorado Springs on behalf of Colorado Springs Utilities.
 5. "Average Day Flow" means the average calendar-day discharge of Sewage during a rolling one-year period, including all forms of flow entering the District's System.
 6. "Board" means the Board of directors of the District.
 7. "Charges" means the Annual Charges and the Service Charges payable to the District by the Connecting Entities and the Associated Municipalities pursuant to this Agreement.
 8. "Connecting Corporation" means a corporation which is a party to this Agreement and whose sewer system is or is to be connected, in whole or in part, to the District's System. A Connecting Corporation is not within the boundaries of the District but it owns or has an interest in land located, in whole or in part, within the Contract Service Area. The Connecting Corporation on the effective date of this Agreement is Vintage Development Company.
 9. "Connecting Entities" means all Connecting Corporations and Connecting Municipalities, collectively.
 10. "Connecting Municipality" means a Member Municipality, as herein defined, all or any part of whose sewer system is connected in whole or in part to the District's System,

whether through the Interceptor or otherwise. The Connecting Municipalities on the effective date of this Agreement are Colorado Centre Metropolitan District and Fountain Sanitation District.

11. "Connection Point(s)" refers to the point or points at which Sewage from a Connecting Entity enters the District's System.
12. "Contract Service Area" means the land served by the Connecting Entities and the land designated by the Associated Municipalities, if any, having specific boundaries which have been or will be recorded with the District, in which the Connecting Entities or the Associated Municipalities have either the right or the obligation to provide sewer service, and areas outside of the Connecting Entities in which Connecting Entities or the District have an obligation to provide such Service, as such area is set forth in the attached *Exhibit A*.
13. "District" means the Lower Fountain Metropolitan Sewage Disposal District formed pursuant to C.R.S. §32-4-501, *et seq.* or as changed from time to time. The District's boundaries are composed of the Contract Service Area.
14. "District Manager" or "Manager" shall mean the Person or Entity retained by the District Board to handle all administrative and management responsibilities associated with District operations. Such Person or Entity shall serve at the pleasure of the District Board, and may retain outside contractors or consultants to assist in carrying out the District Manager's responsibilities.
15. "Engineer" has the meaning given such term in the Act.
16. "Extend" or "Extension" means the installation of any new interceptor or other sewer main which is not part of the Project, which installation extends the System to a Connecting Entity which hereafter is included in the District or to an area hereafter annexed to a Connecting Entity now in the District or an area otherwise hereafter served by the District.
17. "Fiscal Year" means the twelve (12) months commencing on the first day of January of any year and ending on the last day of December of the same year.
18. "General Fund" means the "Lower Fountain Metropolitan Sewage Disposal District, Colorado, General Fund," as maintained by the District.
19. "Independent Accountant" means any Certified Public Accountant or any firm of such Accountants, appointed and paid by the District:
 - (a) Who is, in fact, independent and not under the dominion of the District or any party to this Agreement, *and*
 - (b) Who does not have any substantial interest, direct or indirect, with the District or any party to this Agreement, *and*
 - (c) Who is not an officer or employee of the District or any party to this Agreement but who may be regularly retained to make periodic audits of the District's books and records of the District.

20. **“Improve” or “Improvement”** means the capital extension, alteration, betterment, reconstruction, replacement, repair, or other improvement (or any combination thereof) of facilities, other property, any project, or an interest therein, as authorized by the Act.
21. **“Infiltration”** is water entering a sewer system from the ground through means such as defective pipe, pipe joints, connections, or manhole walls. Infiltration does not include and is distinguished from Inflow.
22. **“Inflow”** consists of water discharged into a sewer system (including service connections) from sources such as roof leaders; cellar, yard and area drains; foundation drains; cooling water discharges; drains from springs and swampy areas; manhole covers, cross-connections from storm sewers and combined sewers; catch basins; storm water surface run-off; street wash waters; and drainage.
23. **“Interceptor”** means such sewers and appurtenances thereto as may be necessary to intercept and transport the outfalls from the Sewage Systems of the Connecting Entities.
24. **“Member Municipality”** means any city, city and county, incorporated town, sanitation district, water and sanitation district, or any other political subdivision or public entity heretofore or hereafter created under the laws of the State of Colorado (other than a metropolitan sewage disposal district), having specific boundaries within which it is authorized or empowered to provide sewer service for the area within its boundaries, and being a component and comprising a part of the District. A Member Municipality may be either an Associated Municipality, as herein defined, or a Connecting Municipality, as herein defined. The Associated Municipalities in the District on the effective date of this Agreement are:
- (a) City of Colorado Springs on behalf of Colorado Springs Utilities
- and the Connecting Municipalities in the District on the effective date hereof are:
- (a) Colorado Centre Metropolitan District, and
- (b) Fountain Sanitation District.
25. **“Operation and Maintenance Expenses”** means all reasonable and necessary current expenses of the District, paid or accrued, of operating, maintaining, and repairing the District’s System, including the establishment and funding of a reserve account not to exceed ten percent (10%) of the District’s then-current annual budget. The term does not include:
- (a) Any depreciation allowance or any capital improvement reserves;
- (b) Working capital reserves related to cash flow requirements for grant administration or other capital improvement costs;
- (c) Any allowance for the redemption of any note, bond or other obligation evidencing a loan or the payment of any interest thereon; *or*
- (d) The costs of any Improvements or Extensions.

26. **"Peak Flow"** means the maximum instantaneous discharge of Sewage which consists of the sum of all forms of flow entering the District's System.
27. **"Person"** means any individual, association, corporation, or the federal government, or any public body other than a Municipality, and excluding the District.
28. **"Project"** means the construction, installation and other acquisition of the District's System to consist of a 2.5 million gallon per day treatment plan and an Interceptor line, all as described in the District's Site Application, and such other, associated improvements as the District may authorize.
29. **"Rate Schedule"** refers to the schedule of and methods for determining Charges to be assessed by the District for its operations and for the provision of Services to the Connecting Entities, together with the current calculation of rates and Charges for the current Year.
30. **"Revenue"** means all moneys derived by the District from Charges made for Services provided by the District to the Connecting Entities and Associated Municipalities.
31. **"Service" or "Services"** mean (i) in connection with any Extension or Improvement, the planning, financing, construction, completion, repair, property acquisition, employment of personnel and agents, and provision for insurance and financial records of or for such Extension or Improvement, and (ii) otherwise, the provision of sewage transportation, treatment and disposal services.
32. **"Service Charges"** means rents, rates, fees, tolls, and other charges for direct or indirect connection with or the use of Services of the Sewage Disposal System, including, without limiting the generality of the foregoing, Operation and Maintenance Expenses, minimum charges and charges for the availability of service, which Service Charges the District is or may be authorized to fix, charge, and collect from any Connecting Entity, independent of this or any other service contract, pursuant to Subsection (m) of Section 32-4-510 and to Section 32-4-522 of the Act.
33. **"Sewage Disposal System", "District's System" or "System"** means the District's sewage disposal system and includes anyone or all or any combination of the following: Any sewage treatment plant, sewage treatment works, sewage disposal facilities, connections and outfalls, intercepting sewers, outfall sewers, force mains, conduits, pipelines, water lines, pumping and ventilating plants or stations, compensating reservoirs, other plants, structures, facilities, equipment, and appurtenances useful or convenient for the interception, transportation, treatment, purification or disposal of sewage, liquid wastes, solid wastes, night soil, and industrial wastes along with all necessary lands, interest in lands, easements and water rights.
34. **"Sewage Meter"** means any continuously recording device used to measure Sewage flow.
35. **"Sewage System of a Connecting Entity"** means a system provided by a Connecting Entity to provide sewer service to inhabitants within or without its jurisdiction, which is connected with the District's System at the Connection Point(s).

36. **“Substantially Injurious”** means any discharge that, upon reaching the District’s System, requires the District staff to initiate any emergency or non-standard operating procedures in the District’s operation and maintenance documents or rules and regulations.
37. **“User”** means any Person who discharges, causes or permits the discharge of wastewater into the Sewage System of a Connecting Entity.
38. **“Year”** means a calendar year.

D. Unless the context otherwise requires, these definitions shall include both singular and plural and apply to both genders.

Section 103. Successors

Whenever the District, a Connecting Corporation, or any Member Municipality is named or is referred to, such provision shall be deemed to include its successors or assigns.

Section 104. Interested Parties

All of the covenants, stipulations, promises and agreements set forth herein shall be for the sole and exclusive benefit of the parties hereto, any trustee for, and any holder of any Security of the District, and shall not be construed to confer upon or give to any other Person any right, remedy or claim, nor to create for the benefit of any other Person any covenant, condition or stipulation.

ARTICLE II

System Acquisition and Operation

Section 201. Acquisition and Purpose

The District will prepare and complete plans for the Project and its financing. Upon completion of such financing or the making of arrangements therefore satisfactory to the District, it will complete the Project and place the District's Sewage Disposal System in operation. The District will thereafter operate, maintain and enlarge the System so as to receive, treat and dispose of Sewage delivered into it by any Connecting Entity in accordance with Article IV.

Before undertaking construction, the District will submit the plans and specifications for the Project to the Colorado Department of Public Health and Environment for approval. The District will obtain all necessary permits and approvals to construct and operate the Project.

Section 202. Extensions and Alterations

Through agreement with interested Member Municipalities or Connecting Corporations, the District may at any time enlarge or modify the System or renew or replace any part thereof and may construct or otherwise acquire any Extension, Improvement or alteration, as may be feasible and then be permitted by law and will not obligate any member of the District not a party to such agreement, except for any Charges assessed pursuant to Article V hereof.

Section 203. Interceptor Easements

Each party through whose Contract Service Area the District's Interceptor must pass shall furnish the District a perpetual easement a minimum of 50 feet in width for Interceptor right-of-way, construction and maintenance without charge to the District. If a Connecting Entity is unable to acquire the necessary easement, the District shall condemn the required easement at the expense of the Connecting Entity which is obligated to provide the easement. The District shall provide all services required to locate, describe, convey and record these easements. To the maximum extent practicable, the Connecting Entities shall work cooperatively toward locating the Interceptor and its easement to greatest advantage.

Section 204. System Operation and Maintenance

The District shall at all times operate the System properly and in a sound and economical manner. The District shall maintain, preserve, and keep the System, or cause the same to be, properly maintained, reserved, and kept, with the appurtenances and every part and parcel in good repair, order, and condition, and shall from time to time make or cause to be made all necessary and proper repairs, replacements, and renewals so that at all times the operation of the System may be properly and advantageously conducted.

Section 205. Rules, Regulations, and Other Details

The District shall establish and enforce reasonable rules and regulations governing the operation, use and Services of the District's System. The District's rules and regulations shall, except for special waste and industrial pretreatment requirements, be applicable solely to the District's Sewage Disposal System and not to the Sewage Systems of the Connecting Entities. All compensation, salaries, fees, and wages paid by the District for maintenance, repair, and operation of the System shall be reasonable and comparable to payments by other corporations, municipalities, or public bodies for similar services. The

District shall comply with all valid laws, rules, regulations, orders, and directions of anybody having jurisdiction over the System or the District.

Section 206. Payment of Lawful Governmental Charges

The District shall pay all taxes, assessments or other charges lawfully levied or assessed upon the District's System, or any part thereof, when the same shall become due. The District shall not create or allow any lien or charge upon the System or any part thereof, or any Revenues therefrom, except the pledge and lien created by any resolution for the payment of the principal of, premium (if any), and interest on District Securities.

The District shall pay or shall cause to be discharged or will make adequate provision to satisfy and to discharge, within sixty (60) days after the same shall become payable, all lawful claims and demands for labor, materials, supplies, or other objects which if unpaid might by law become a lien upon the System or the revenues there from. Nothing shall require the District to pay or to cause to be discharged or to make provision for any such lien or charge so long as the validity thereof shall be contested in good faith, so long as failure to pay will not result in a material adverse impact to the District.

Section 207. Insurance and Reconstruction

- A. *Insurance.* The District shall maintain such insurance as is customarily maintained for sewerage systems of like character. Such insurance shall protect the parties to this Service Contract against loss of or damage to the System, against loss of Revenues, and against public and other liability to the extent reasonably necessary to protect the interests of the District.
- B. *Limited Liabilities.* Any liability incurred by the District as a result of the operation of the District's Sewage Disposal System shall be its sole liability, and any liability incurred by any Connecting Entity as a result of the operation of a Sewage System of a Connecting Entity shall be the Connecting Entity's sole liability. An Associated Municipality shall have no liability arising from operation of the District's System or a Sewage System of a Connecting Entity. Section 401 of this Agreement contains special provisions for industrial discharges. To the extent permitted by the Colorado Constitution and consistent with the Colorado Governmental Immunity Act, the District shall indemnify and hold each Connecting Entity harmless from any loss, damages, costs or expenses arising directly or indirectly out of the District's failure to treat or dispose of the Sewage of a Connecting Entity properly, providing such Connecting Entity has complied with the District's rules and regulations with regard to the incident(s) in question.
- C. *Reconstruction.* If any useful part of the System is damaged or destroyed, the District shall expeditiously repair or replace the damaged property. The District shall apply any applicable insurance proceeds (except for proceeds of use and occupancy insurance) to the costs of such repair and replacement. The District shall deposit any excess insurance proceeds, together with proceeds of any use and occupancy insurance, as Revenues of the System. If the costs of repairing or replacing the damaged property exceed the insurance proceeds, money in the emergency capital reserve fund as provided in Section 502.D shall be used as necessary for such purposes.

Section 208. Alienating System

No component required to construct, reconstruct or operate the System shall be sold, leased, mortgaged, pledged, encumbered, or otherwise disposed of or alienated, until all Securities of the District have been paid in full or redeemed. In addition to a sale or lease of capacity in the District's System between Connecting Entities as provided in Section 407.D, any sale or lease of capacity may be made

only by the Connecting Entity that owns such capacity. Written notice of any such sale or lease shall be provided to the District as soon as practicable.

Section 209. Records, Accounts and Audits

The District shall keep proper books of record and account (separate from all other records and accounts), in which complete and correct entries shall be made of its transactions relating to the System. The District shall also keep a list of the insurance policies in force at the end of the Fiscal Year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer, and the expiration date of the policy. All books and papers of the District shall be subject to inspection by any member of the Board and any officer of a Connecting Entity or an Associated Municipality at all reasonable times. The District shall cause its books and accounts to be audited annually by an Independent Accountant selected by the District. Each audit shall at a minimum include the following:

- A. A detailed statement of the income and expenses of the System for the Year, including a classified statement of gross Revenue received, of net Revenues, and of the amount of any capital expenditures pertaining to the System for the Year, and a statement of the profit or loss for the Year.
- B. A balance sheet as of the end of the Year showing the assets and liabilities in each of the District's accounts.
- C. The Independent Accountant's comments regarding: (1) the District's methods of operation and accounting practice; (2) the manner in which the District has carried out the requirements of each resolution and any other proceedings authorizing the issuance of outstanding bonds or other obligations; and (3) the Independent Accountant's recommendations for changes or improvements as the Independent Accountant deems appropriate.
- D. A recapitulation of each account into which are deposited funds derived from the operation of the System or from the sale of District Securities. Such analysis shall show the balance in each account at the beginning of the Year, the deposits and withdrawals during the Year, and the balance at the end of the Year.

Section 210. Contract Service Area

In the event that a portion of any Connecting Entity or Associated Municipality is excluded from the District pursuant to C.R.S. §32-4-515, the attached *Exhibit A* shall be updated to reflect such exclusion.

Within forty-five (45) calendar days of the District's request, each party to this Agreement shall file with the District a map or legal description depicting the boundaries of and land included within its Contract Service Area.

ARTICLE III

General Sewage System Provisions

Section 301. Tributary Sewer Systems

Connections to the District's System shall be made only at Connection Points approved by the District. Service shall be limited to the Sewage Systems of the Connecting Entities owned, operated, or controlled by the respective Connecting Entities. Sewage from the Connecting Entities shall be metered.

The Connecting Entity will install at its expense metering and sampling facilities at each Connection Point. Any new Connection Points shall include metering and sampling facilities, all of which shall be paid for by the Connecting Entity concerned. Subject to the provisions of Section 405, only Sewage from separate Connecting Entity systems shall be discharged into the District's System. For any new Connection Point(s) a Connecting Entity may desire, a written request must be made to the District and formally approved by the District. No individual home or business shall be allowed a Connection Point(s) onto the District's System.

The District will make provision at each point of metered connection listed in *Schedule A* hereof for measurement of quantity and for quality sampling at the District's own cost and expense.

Section 302. Connections to System

Each Connecting Entity shall construct, install and operate at its own expense each Connection Point to the District's Sewage Disposal System. This shall include any extension of a Connecting Entity's sewer system or outfalls required to deliver its sewage to the Connection Point(s).

Section 303. Service by District and Connecting Entities

The District shall be the exclusive agency for the Acquisition and operation of a Sewage Disposal System within and for the District, except as otherwise authorized in this Agreement or the Act. Each Connecting Entity shall retain its authority to provide sewer service to its inhabitants including the Acquisition, Improvement, operation, and maintenance of Sewage collection, treatment and disposal facilities, including any existing facilities or system, subject to Section 304 hereof and to C.R.S. §32-4-538.

Section 304. Competing System

The District shall not grant any franchise or license to a competing system, nor shall it permit (except as it may legally be required so to do) the acquisition or improvement by any Connecting Entity of sewage treatment or disposal facilities which increases the capacity thereof. This section shall not affect existing facilities of the Member Municipalities and Connecting Corporations which do not serve lands within the District's Contract Service Area. For purposes of this section and except as otherwise allowed by this Agreement, a competing system is any wastewater treatment system that serves an area that is capable of receiving service from the District but not currently included within the District's service area.

Subject to Sections 303 and 307 herein, the District may consent to Acquisition or Improvement of a competing system and may approve the plans and specifications therefor if the Board determines in writing that:

- A. it is not economically feasible for the District to furnish the desired treatment or disposal, *and*
- B. the Acquisition or Improvement of such facilities or system by the Member Municipality or Connecting Corporation or by any other Person within its boundaries will not materially impair the security for payment of District Securities or other obligations, *and*
- C. it is not inequitable or unreasonable for the District to grant such consent and approval, pursuant to §§32-4-506, 32-4-513, 32-4-516, and 32-4-538 of the Act, *and*
- D. the plans and specifications for the proposed competing system are acceptable to the District.

Section 305. [Reserved]

Section 306. Limitations Upon Consent

Whenever under the terms of this Agreement the District is authorized to give its written consent, the District in its discretion may give or may refuse such written consent and if given, may restrict, limit, or condition such consent in such manner as it shall deem advisable. Acceptance by the District of Sewage from a Connecting Entity into the Sewage Disposal System in a volume or with characteristics exceeding or violating any limit or restriction provided for by or pursuant to this Agreement, in one or more instances or under one or more circumstances, shall not constitute a waiver of such limit or restriction or of any of the provisions of this Agreement, and such acceptance shall not in any way obligate the District thereafter to accept or to make provision for Sewage delivered and discharged into the System in a volume or with characteristics exceeding or violating any such limit or restriction in any other instance or under any other circumstances.

Section 307. New Connections

It is the policy of the District that the Connecting Entities shall require that all new construction conform to current wastewater engineering standards.

Section 308. Water Rights

The District makes no claim to the ownership of the water rights of the Connecting Entities stemming from their Sewage contributions to the System. The District will return its discharge flow to Fountain Creek downstream of the District's treatment plant at the location specified on *Exhibit A*. Each Connecting Entity shall provide for this point of discharge in its water rights as appropriate. If any Connecting Entity requires its return flow to be conveyed to a location other than the System's Fountain Creek discharge location, the Connecting Entity shall be solely responsible for all costs associated with delivering its return flow to an alternate location. Any structure proposed to withdraw a portion of the District's wastewater treatment plant's discharge shall be subject to District approval. This section does not limit the District's authority to acquire water rights to be used as determined by the District.

Section 309. Water Quality

The District will treat the Sewage sufficient to comply with the District's effluent permit limitations. Any additional treatment desired and or required by a Connecting Entity shall be the responsibility of the Connecting Entity.

ARTICLE IV

Sewage Discharge to the System

Section 401. Discharge Requirements

- A. *Users to Comply.* All Connecting Entities will ensure that their Sewage discharges to the District's System comply with the rules and regulations issued by the District. The District shall have final authority concerning methods, standards, criteria, significance, evaluation, and interpretation of technical or scientific analyses and methods used to determine compliance.
- B. *Non-Complying Discharges.* Immediately upon discovery of a non-complying discharge to the District's System, a Connecting Entity shall notify the District in writing of the non-complying discharge stating the nature, time and place of the violation. The Connecting Entity shall promptly bring the discharge into compliance or disconnect the connection(s) causing the violation. The District may take enforcement action, as defined in its rules and regulations, against any Person discharging Sewage in violation of District regulations into a Connecting Entity's sewer system.
- C. *Compliance Determinations.* The District may determine in accordance with Section 404 herein whether Sewage discharged into the District's System by any Connecting Entity complies with the District's requirements. The District shall promptly notify a Connecting Entity in writing of any discharge which the District determines violates its requirements. Unless objected to in writing within thirty (30) calendar days, the District's determination shall be deemed correct. If an objection is filed with the District, the District Engineer shall review the matter and attempt to resolve the matter informally.

Section 402. Special Waste Requirements

The District may, through its rules and regulations, prohibit or regulate the discharge into the District's Sewage Disposal System of any substances which are or may be Substantially Injurious to the System or its efficient operation.

Section 403. Industrial Sewage

The Connecting Entities shall require any potential User whose Sewage would not conform to the District's rules and regulations to provide pretreatment, flow-equalizing or other facilities required to bring that User's discharge into compliance at the point at which it enters the Connecting Entity's sewer system. The Connecting Entities will require such Users to construct, operate and maintain pretreatment facilities in a safe and effective operating condition.

The Connecting Entities will comply with the District's requirements concerning industrial sewage contained in the District's rules and regulations. The Connecting Entities agree to support and enforce the District's requirement that significant new industrial users obtain a discharge permit from the Colorado Department of Public Health and Environment prior to discharging sewage to the Connecting Entity's sewer system.

Section 404. Determination of Sewage Characteristics

- A. *Reports.* The District, at the expense of each Connecting Entity, shall prepare and submit reports to each respective Connecting Entity concerning the volume and strength of Sewage delivered at

the Connection Point(s) on a monthly basis. At the sole expense of the Connecting Entity, the District may request a Connecting Entity to submit a Sewage meter calibration report(s) on such schedule as the District may require but not less than annually. The District shall also perform at its expense a meter calibration at all Connection Point(s) not less than annually. Volume shall be monitored by Sewage Meters and Sewage strength shall be determined by periodic composite sampling. The District's monthly billings to the Connecting Entities shall state the actual volume and strength of flow from each Connecting Entity. The District's billings shall be deemed correct within thirty (30) days thereafter if no objection is filed with the District by the Connecting Entity.

- B. *Objections.* In the event that an objection is filed, the Connecting Entity shall be afforded an opportunity to review the laboratory records and to observe the Sewage Meters and sampling equipment and to obtain duplicate samples for determination of Sewage strength at its expense. The District may use an Engineer to review all relevant data and attempt to arrive at a satisfactory resolution.
- C. *Inspections.* In order to determine the characteristics of Sewage discharged into the System, the District's officers, agents and employees may at all reasonable times enter, inspect and sample the Sewer Systems of the Connecting Entities, any industrial or commercial installations connected thereto, or any other connections which contribute Sewage or wastes to the local sewer system.
- D. *Sewage Meter Calibration.* The Connecting Entity shall calibrate the Sewage Meters and appurtenances not less than annually and shall submit to the District a report each time the Sewage Meters and appurtenances are calibrated certifying that the Sewage Meters and appurtenances have been checked and calibrated by a qualified inspector for proper operation and accuracy. The District may, if it so chooses, witness such calibration procedures by the Connecting Entity, and the Connecting Entity shall give the District reasonable advance notice of when such calibration activities will be performed. In addition, any Connecting Entity may, at any time and at its sole expense, request the District to perform the calibration of Sewage Meters and appurtenances by a qualified inspector for proper operation and accuracy. Such calibration shall be performed by the District within a reasonable time period after receipt of the request.

Section 405. Infiltration and Inflow Control

No Connecting Entity shall make or permit any new connection to or extension of the Sewage System of a Connecting Entity which is designed to permit entrance directly or indirectly into the District's Sewage Disposal System of storm water drainage from ground surface, roof leaders, catch basins or any other source. Each Connecting Entity shall make reasonable efforts to limit Infiltration and Inflow into the Sewage System of the Connecting Entity.

Section 406. Discharge Prohibitions

The Connecting Entities shall not discharge Sewage into the District's System which:

- A. impairs the hydraulic capacity of the District's System, normal and reasonable wear and usage excepted;
- B. impairs the strength or the durability of the District's sewer structures, equipment or treatment works, either by chemical or mechanical action;
- C. creates flammable or explosive conditions in the District's System; or

- D. violates the Act or any rule, ordinance or regulation of the District.

Notwithstanding anything in this Agreement to the contrary, acceptance of Sewage by the District into its System in a volume or with characteristics exceeding or violating any limit or restriction provided for by or pursuant to this Agreement, in one or more instances or under one or more circumstances, shall not constitute a waiver of such limit or restriction or of the provisions of this Agreement, and such acceptance shall not in any way obligate the District thereafter to accept or to make provision for Sewage delivered and discharged into the System in a volume or with characteristics exceeding or violating any such limit or restriction in any other instance or under any other circumstances.

Section 407. Discharge Limits and Capacity Reallocation

- A. **Interceptor.** No Connecting Entity may exceed its allocated Peak Flow within any increment of the Interceptor without prior District approval. No parties other than the Connecting Entities which have executed this Agreement may use the Interceptor.

Notwithstanding the above, any Connecting Entity may, with advance notice to but without the approval of the District, annex or otherwise agree to serve parties or property outside the Contract Service Area as it presently or then exists. In the event that a Connecting Entity agrees to serve parties or property outside the Contract Service Area, the Interceptor and Treatment Plant allocations of said Connecting Entity will not be altered without the approval of the District and said Connecting Entity shall remain responsible for compliance with this Agreement and the District's rules and regulations in the provision of service to said parties or property.

- B. **Plant.** No Connecting Entity may exceed its Average Day Flow reserve capacity for more than ten (10) consecutive days without District approval. No parties other than Connecting Entities which have executed this Agreement may use the District's wastewater treatment plant without District approval. The terms of subsection A. above as concerning new Connecting Entities shall apply to the District for any additional or new facilities, or expansion of then-existing wastewater treatment capacity, required for such Connecting Entities to use the wastewater treatment plant.
- C. **Reallocation.** No Connecting Entity's allocation of capacity in the District's System, including but not limited to the wastewater treatment plant and Interceptor, shall be changed without the consent of the affected Connecting Entities.
- D. **Lease of Capacity.** Any Connecting Entity may lease, sell or otherwise transfer any or all of its capacity in the District's System to another Connecting Entity upon approval of the Board, subject to Section 306. No such lease or other transfer shall affect the financial obligations of any Connecting Entity to the District or of the District to the holders of its Securities.

ARTICLE V

District Budget and Charges

Section 501. Annual Budget

The District is governed by the "Local Government Budget Law of Colorado", C.R.S. §29-1-101, *et seq.* for the purposes of adopting and amending its annual budgets. The District shall comply with all procedures, notification requirements and filing requirements of said law. In addition, the District shall prepare and submit to each Member Municipality and Connecting Corporation a proposed budget for the ensuing Year at least ninety (90) days prior to the final adoption by the District of the budget for the ensuing Year.

Section 502. Basis for Incurring and Allocating Costs

A. *Generally*

The District shall build, operate and maintain the Project efficiently and shall not incur costs inconsistent with sound management. The parties agree that the Annual Charges to Connecting Entities and Associated Municipalities under the Rate Schedule shall apply in a uniform manner regardless of a Connecting Entity's proportionate use level and irrespective of an Associated Municipality's use or non-use. Any cost or expense incurred by the District that is not considered a capital cost or a Service Charge (including any Operation and Maintenance Expenses) shall be deemed an Annual Charge.

B. *Operation and Maintenance Expenses*

1. Each Connecting Entity shall pay Operation and Maintenance Expenses in proportion to its use of the District's System as more specifically described in the Rate Schedule to be adopted by the District. Such charges shall be based upon the amount and quality of Sewage delivered into the District's Sewage Disposal System.
2. The District shall estimate the amount of the Charges required for the purposes of this Agreement and, while the System is in operation, shall estimate the total volume and strength of Sewage anticipated from each Connecting Entity and shall determine the total Charges due thereon, all not later than September 1 of the Year preceding that to which the Charges shall apply. The District shall certify these Charges to each Connecting Entity in writing within five business days thereafter. Each Connecting Entity shall provide for the payment of said Charges by including provisions therefor in its budget in the following Year and shall make appropriations therefor if required by law.

C. *Project*

1. In the event the District dissolves, the proceeds from such dissolution shall be distributed as follows: (a) District administrative expenses, as such expenses are described in the annual budget adopted by the Board annually, shall be reimbursed fully to the extent funds are available and in the amounts paid by the Connecting Entities and the Associated Municipalities, and if sufficient funds are unavailable to fully reimburse the parties then the available funds shall be distributed among the Connecting Entities and the Associated Municipalities in proportion to the amounts paid by the Connecting Entities and the Associated Municipalities for District administrative expenses; and

(b) any remaining balance shall be distributed to Fountain Sanitation District and Colorado Centre Metropolitan District as follows: 75% to Fountain Sanitation District and 25% to Colorado Centre Metropolitan District.

2. **Wastewater Treatment Plant Construction.** The capacity of the wastewater treatment facility was constructed and has been allocated to the Connecting Entities on the basis of their projected needs. The costs associated with construction of the treatment plant facilities was allocated *pro-rata* based upon the capacity allocated to each Connecting Entity. Notwithstanding the foregoing, the parties agree that Vintage Development Company ("Vintage") and any future Connecting Entity shall not be required to incur or pay any direct costs related to Project construction when such costs are incurred initially. To the extent Vintage or another future Connecting Entity exercises this option, Vintage or the future Connecting Entity shall set tap fees in an amount sufficient to pay Vintage's or the future Connecting Entity's *pro-rata* portion of Project costs. Additionally, if the Vintage property, known as JV Ranches, is included within the Fountain Sanitation District service area at the time Vintage or its successors exercises this option, Fountain Sanitation District shall recover from the District such costs advanced on behalf of Vintage or its successors.
3. **Overall Project Participation.** The parties acknowledge that, based on agreements reached among themselves regarding past financial contributions toward the Project, Fountain Sanitation District and Colorado Centre Metropolitan District funded the entire initial Project construction, which includes construction of the Interceptor through the JV Ranches property. As of the effective date of this Agreement: (i) Fountain Sanitation District owns 75% (1.875 MGD) and Colorado Centre Metropolitan District owns 25% (.625 MGD) of the total 2.5 MGD capacity within the District's wastewater treatment plant, and (ii) Colorado Centre Metropolitan District owns 1 MGD maximum daily flow or 16.81% of the total capacity within the Interceptor and Fountain Sanitation District owns the remaining and 83.19% of the capacity within the Interceptor. Subject to Sections 208 and 407.D of this Agreement concerning the sale or lease of a party's allocated capacity, any Connecting Entity desiring wastewater treatment service shall be responsible for all costs associated with increasing the capacity of the Interceptor or the wastewater treatment plant, or both.
4. **Interceptor Construction.** Initial Interceptor capacity has been allocated between Fountain Sanitation District and Colorado Centre Metropolitan District based upon the respective ownership interests described in Section 502.C.3 above. For any Extension or Improvement of the initial Interceptor or construction of a new Interceptor that is requested or required to provide Service to other areas within the Contract Service Area, each Connecting Entity (or Associated Municipality or other Person that will be a Connecting Entity as a result of such Extension or Improvement of the initial Interceptor or construction of a new Interceptor) shall be responsible for the percentage of the actual cost of such Extension, Improvement or construction of a new Interceptor that results from (a) such Connecting Entity's (or Associated Municipality's or other Person's) share of the increased Interceptor capacity, divided by (b) the total increased Interceptor capacity, and multiplied by (c) 100.

D. *Emergency Capital Reserve Fund*

A capital reserve fund is hereby established under this Agreement. The initial reserve fund account shall be funded as permitted under the Act, and shall be replenished as determined by the District in accordance

with the Act. This fund may be used for any unbudgeted, emergency capital expenditure, and any funds expended shall be replaced (in addition to any other payments required to fund this reserve fund) in the immediately following Year. Unless otherwise agreed, the parties shall contribute to the emergency capital reserve fund *pro rata* in the same proportion as their capital contributions existing at the time of funding such contributions to the emergency capital reserve fund.

ARTICLE VI

Payments by Connecting Entities

Section 601. Payment of Charges

Each Connecting Entity and Associated Municipality will budget and appropriate funds for annual Charges and other costs for each Fiscal Year as provided in Sections 502 and 604 hereof and deposit such funds with the District upon request. Otherwise, each party shall promptly pay the Charges and other costs then due to the District pursuant to this Service Contract or as may otherwise be imposed, including contributions to support District Services. This Section does not prohibit any Connecting Entity or Associated Municipality from committing any other funds for the purpose of meeting its obligations hereunder and paying Charges and other costs due the District.

Each Connecting Entity's and each Associated Municipality's obligations to pay the Charges and other costs pursuant to this Service Contract shall not constitute a debt within the meaning of Colorado law and are not general obligations but shall constitute special and limited obligations as apportioned to them. Default by a Connecting Entity or Associated Municipality shall not constitute a liability of the non-defaulting parties. The District shall seek recourse against any defaulting party as provided for herein and otherwise allowed by law. Nothing herein prohibits a non-defaulting party from paying the obligations of a defaulting party to the District and either treating such payments as a loan to the defaulting party or, subject to Section 407.D, purchasing the defaulting party's allocation of capacity in the District's System.

Each Connecting Entity and Associated Municipality shall be liable for and shall render prompt payment of all Charges and costs payable hereunder and provided for herein, at such place and in such manner as the District may reasonably prescribe. Nothing shall prevent any party from fixing and collecting fees necessary for the operation, maintenance and improvement of its own sewer system.

Section 602. Timing of Payments

Each Connecting Entity and Associated Municipality shall pay one-twelfth (1/12) of the estimated Annual Charges for the current Fiscal Year plus one-twelfth (1/12) of the adjustments from the prior Fiscal Year not later than the fifteenth (15th) day of each calendar month, and shall be considered delinquent thereafter. Service Charges and any additional fees, costs and other special Charges shall be due and payable within thirty (30) days of their assessment and shall become delinquent thirty (30) days thereafter.

Section 603. Certification of Estimated Charges

Pursuant to Section 502.B.2 of this Agreement, the District shall deliver to each Connecting Entity and Associated Municipality the District's certificate stating the estimated amount of the following Fiscal Year's Charges. Such Charges in the aggregate shall be sufficient to pay the amounts estimated to be needed by the District in the following Fiscal Year as shown in the Annual Budget. Any such certificate may adjust for the Fiscal Year in which that certificate is rendered, the estimated Charges previously certified. Each adjustment shall be based upon revised estimates resulting from the operation and maintenance of the System by the District for a portion of the current Fiscal Year prior to the date of any such adjusted estimate.

Section 604. Preliminaries to Payment by Connecting Entities

After receipt of the District's certificate of estimated Charges, each Connecting Entity and Associated Municipality shall make all budgetary appropriations necessary to provide for and authorize payment to the District of the Charges for the following Fiscal Year as the Charges become due and payable.

Section 605. Final Adjustment of Charges

The Charges fixed or imposed against any Connecting Entity or Associated Municipality may be adjusted for any Fiscal Year. This final adjustment shall be made on or before the last day of March next following that Fiscal Year.

Section 606. Hearing on and Notice of Final Payment

Prior to making any final adjustment of any Charge for any Fiscal Year, as provided in Section 605 hereof, the District shall hold at its regular meeting in March next following that Fiscal Year a hearing on the proposed final adjustment. At the hearing any Connecting Entity or Associated Municipality may appear and present objections to the final adjustment of the Charges for that Fiscal Year. The District may make a final adjustment after the hearing, but in any event on or before the last day of March.

Section 607. Time of Adjustments to Estimated Charges

The District in its absolute discretion may adjust the estimated Charges for any Fiscal Year and may certify any resulting debits and credits to the Connecting Entities and the Associated Municipalities at any time prior to the final adjustment, whenever the Board determines that such adjustment is necessary or desirable.

Section 608. Payment to Balance Adjustments

Any Connecting Entity or Associated Municipality to which the District certifies a supplemental Charge resulting from any adjustment shall provide for its payment, along with payment of the estimated charge, in its next Annual Budget unless the Connecting Entity or Associated Municipality determines to pay the supplemental Charge prior thereto.

Any Connecting Entity or Associated Municipality to which the District certifies a credit resulting from any adjustment shall so provide in its next annual budget and shall thereby reduce the amount of the estimated Charge payable in the Fiscal Year for which that Annual Budget is prepared, unless the District remits the amount of the credit to the Connecting Entity or Associated Municipality prior to the payment of the estimated Charge.

Section 609. Limitations Upon Adjustment of Charges

Whenever the District adjusts the Charges for any Fiscal Year, non-final adjustments shall be based upon estimates of the amount and quality of Sewage to be delivered into the District's System, direct or indirect connections with or use of the System, and the other costs and expenses of the District. Final adjustments shall be based upon these same characteristics as actually measured pursuant to Section 404 and such costs and expenses as actually incurred by the District. In addition, the District may adjust the Charges to include minimum or Service availability charges and delinquency penalties including interest, collection costs and actual attorney's fees.

Section 610. Enforcement

If any amount due the District from any party hereto shall remain unpaid following its due date, the delinquent party shall be charged and pay to the District interest on the unpaid amount from its due date until paid at the rate of one percent (1%) per month or fraction thereof.

Every obligation assumed by or imposed upon any party by this Agreement shall be enforceable by the District by appropriate action, suit, or proceeding at law or in equity. The District may pursue any and all remedies provided by law for the enforcement of such obligation, including the remedies and processes provided by the Act with respect to Charges or other obligations, and the District shall be awarded all actual fees and costs, including reasonable attorney's fees, incurred in pursuing such remedies.

Section 611. Character of Obligations

Failure by any party hereto to perform fully any obligation assumed by or imposed upon it by this Agreement shall not make the District liable in damages to any other party hereto nor relieve a Connecting Entity or Associated Municipality from making any payment to the District or from fully performing any other obligation required of it under this Agreement. Any Connecting Entity or Associated Municipality may pursue any and all other remedies provided by law for compelling performance by the defaulting party.

ARTICLE VII

Abandonment of Sewer System Facilities

Section 701. Abandonment Permitted

Any Connecting Entity may in its sole discretion at any time abandon or, in the alternative, continue to operate, maintain, and repair all or any part of those sewage treatment or disposal facilities constituting at the time of the date of this Agreement a part of the Sewage System of a Connecting Entity, subject to the provisions of Sections 303, 304, and 305 hereof.

Section 702. Notice of Abandonment

At least thirty (30) calendar days prior to abandoning any sewage treatment or disposal facilities, which abandonment will substantially increase the Sewage received from its sewer system by the District in its Sewage Disposal System, any Connecting Entity shall file written notice with the District's secretary of the Connecting Entity's intent to abandon the designated facilities on the date stated in the notice.

ARTICLE VIII

Additional Municipalities and Connecting Corporations

Section 801. Conditions of Inclusion

Any Municipality not comprising a part of the District on the date of this Agreement or any part of such Municipality may be included in the District as provided in §32-4-513 of the Act upon such terms and conditions as may be determined by the Board and upon its determination that such Municipality may feasibly be served by the District's System as provided by resolution approved by a majority of the Board. Any corporation not under contract to be connected to the District's System on the date of this Agreement may be served by the District upon such terms and conditions as may be determined by the Board and upon its determination that such corporation may feasibly be served by the District's System as provided by resolution approved by a majority of the Board. As consideration for the District's agreement to provide service, a corporation or any private party shall either form a new special district or wastewater district or incorporate into a Municipality.

Section 802. Party to This Agreement

No Municipality shall be included in the District or a Connecting Corporation served by the District after the date hereof unless, among any other conditions and terms so determined by the Board, the Municipality or Connecting Corporation shall consent to become a party to this Agreement, as amended, on the date of such inclusion or addition as a Connecting Corporation, as applicable. Any such Municipality or Connecting Corporation shall execute a written instrument to that effect, filed with the District's secretary. In the case of a Municipality, the instrument shall be executed prior to or simultaneously with the transmittal to the Division of Local Government in the Department of Local Affairs of a certified copy of the resolution to the Board including the Municipality within the District, pursuant to §32-4-513 of the Act.

Upon the issuance of the certificate of the Division of Local Government reciting that the Municipality or the portion thereof designated in the certificate has been duly included within the boundaries of the District, the inclusion of the Municipality or the designated territory shall be effective, and the Municipality shall simultaneously be deemed to have become a party to this Service Contract without further action by the District or by any other Municipality. A corporation shall be a Connecting Corporation upon the execution of this Service Contract, as amended, and by resolution approved by a majority of the Board.

Any other party or property located outside the Contract Service Area desiring to receive service through or independently of a Connecting Entity must execute and agree to be bound by the terms of this Agreement and pay any fees then in effect. Upon signing this Agreement and payment of the prevailing fees, such other party or property shall be deemed either a Connecting Entity or an Associated Municipality. Any new Connecting Entity or Associated Municipality shall be solely responsible for the construction and installation costs for all associated facilities necessary for such Connecting Entity or Associated Municipality to receive service, and such new facilities shall be constructed and installed so as to not affect service to the existing Connecting Entities.

Section 803. Voting Rights of Member Municipalities

For purposes of determining the composition of the Board pursuant to §32-4-509 of the Act and in accordance with *Crestview Water and Sanitation District v. Board of Directors of Metropolitan Denver Sewage Disposal District No. 1*, 640 P.2d 265 (Colo. App. 1981), the total District population shall be the

population within the Contract Service Area, and each Member Municipality's respective population shall be the population of that Member Municipality residing within the Contract Service Area. If a person resides within the boundaries of more than one Member Municipalities, such person shall be counted as part of the population of the Connecting Municipality within which such person resides.

ARTICLE IX

Miscellaneous

Section 901. Effective Date

This Agreement shall become effective and be legally binding upon the parties upon its execution and delivery by each of the parties.

Section 902. Terms of Agreement

This Agreement shall be in full force and effect and shall be binding upon the parties hereto for a period of twenty-five (25) years from December 31, 2015 or until the first day of January next following the last outstanding bond or note issued by the District. Thereafter this Agreement shall continue as a binding contract to the extent permitted by law from year to year until a District, Municipal or Corporate officer files with the Secretary or Clerk of each of the parties hereto a notice that thirty (30) days after the last such filing or on any date designated in the notice following the expiration of such thirty (30) days' period this Agreement shall then be terminated.

Section 903. Securities of District

All bonds, notes or other obligations of the District referred to in this Agreement or to be issued by the District shall for all purposes of this Agreement be the sole obligation of the District and shall not in any way be deemed a debt or a liability of any Member Municipality or Connecting Corporation.

Section 904. Absence of Representations

No party makes any representation concerning the use of property, building permits required or not required, zoning regulations of anybody corporate and politic, or concerning exemption from licenses, permits, or taxes.

Section 905. Conformance with Law

Each party agrees to abide by and to conform to all applicable laws of the United States, the State of Colorado, and any other body corporate and politic having any jurisdiction in the premises. Nothing shall require any party to comply with any law the validity or applicability of which shall be contested in good faith in a court of law or administrative tribunal.

Section 906. Force Majeure

No party shall be responsible or liable in any way for Acts of God or any other act or acts or omissions beyond the control of such party which may in any way cause an interruption or a discontinuance of service appertaining to the District's Sewage Disposal System or to any Sewage System of a Connecting Entity.

Section 907. Non-Assignability

No party to this Agreement may assign any interest herein to any Person without the consent of the Board, and the terms of this Agreement shall inure to the benefit of and be binding upon the respective representatives and successors of each party hereto. Nothing herein contained, however, shall be construed to prevent the reorganization of any party hereto nor as preventing any other body corporate

and politic succeeding to the rights, privileges, powers, immunities, liabilities, disabilities, and duties of a party hereto, as may be authorized by law, in the absence of any prejudicial impairment of any obligation of contract hereby imposed.

Section 908. Severability

If any provision of this Agreement shall for any reason be held invalid or unenforceable, the disability of such provision shall not affect any of the remaining provisions of this Agreement.

Section 909. Execution of Documents

This Agreement may be executed in several counterparts, which shall be regarded for all purposes as one original. Each party agrees that it will execute any and all deeds, instruments, documents, resolutions or ordinances necessary to give effect to this Agreement.

Section 910. Waiver

No waiver by either party of any term or condition of this Agreement shall be deemed or construed as a waiver of any other term or condition, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different provision of this Agreement.

Section 911. Remedies

In addition to the remedies provided by law, this Agreement shall be specifically enforceable by any party.

Section 912. Entirety

This Agreement amends, restates, merges and supersedes all prior negotiations, representations, and agreements between the parties hereto relating to the subject matter hereof and constitutes the entire contract between the parties concerning the operation of the District and the disposal of Sewage by the Connecting Entities and Associated Municipalities and the acceptance of such Sewage for disposal by the District. Nothing herein contained shall be construed as superseding or otherwise modifying any other agreement to which any Connecting Entity or Associated Municipality is party but to which the District is not a party.

Section 913. No Partnership Implied

The approval of this Agreement does not create on behalf of the District any exclusive privileges or property rights in any Member Municipality or Connecting Corporation, neither by such approval does any Member Municipality or Connecting Corporation acquire any ownership interest of any sort whatever in the District's Sewage Disposal System nor is any joint venture, partnership, cooperative or other legal relationship created hereby.

Section 914. Amendments

This Agreement may be amended by writing, duly authorized and signed by representatives of all of the parties.

COLORADO CENTRE METROPOLITAN DISTRICT



Michael Cantin, Chair

ATTEST:



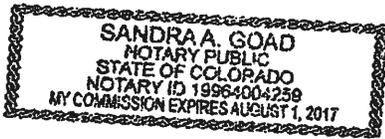
Karen Harvey, Secretary

ACKNOWLEDGEMENT

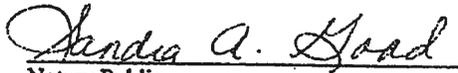
The foregoing instrument was acknowledged before me this 18th day of February, 2016 by Michael Cantin, Chair of the Board of Directors, Colorado Centre Metropolitan District.

Witness my hand and official seal.

My commission expires August 1, 2017.



[SEAL]


Notary Public

FOUNTAIN SANITATION DISTRICT

Bobby Phillips

Bobby Phillips, Chairman/President

ATTEST:

Carl Christian

Carl Christian, Vice-Chairman/Director

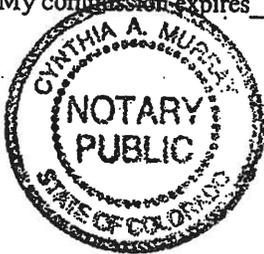
ACKNOWLEDGEMENT

The foregoing instrument was acknowledged before me this 10th day of February, 2016 by Bobby Phillips, Chairman/President, on behalf of the Fountain Sanitation District.

Witness my hand and official seal.

My commission expires 9-18-18

[SEAL]



Cynthia A. Murray
Notary Public

Section 915. Effect of Headings, Type Faces and Recitals

The headings and bold and italic type faces in this Agreement are inserted only for convenient reference and do not define, limit or prescribe the scope of this Agreement. The Recitals of this Agreement are included as an aid to interpretation, but do not themselves create, limit or define any rights or obligations of the parties.

Section 916. Regional Cooperation

The District shall work with such other wastewater service providers on a larger, regional scale as such opportunities may arise from time to time.

LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT

Bobby Phillips

Bobby Phillips, President

ATTEST:

Michael Cantin

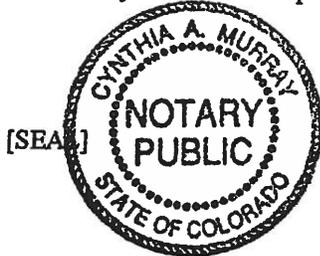
Michael Cantin, Secretary

ACKNOWLEDGEMENT

The foregoing instrument was acknowledged before me this 14th day of February, 2016 by Bobby Phillips, President of the Board of Directors, Lower Fountain Metropolitan Sewage Disposal District.

Witness my hand and official seal.

My commission expires 9-18-18



Cynthia A. Murray

Notary Public

VINTAGE DEVELOPMENT COMPANY

Sheila Venezia
Sheila Venezia, President

RECEIVED
MAY 02 2016
BY: _____

ATTEST:

[Signature]
Secretary

ACKNOWLEDGEMENT

The foregoing instrument was acknowledged before me this 26th day of April, 2016 by Sheila Venezia, President of Vintage Development Company.

Witness my hand and official seal.

My commission expires August 10, 2019.

[Signature]
Notary Public

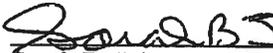
RANDA RAE TAPIA
[SEAL] NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 19994020630
MY COMMISSION EXPIRES AUGUST 10, 2019

**CITY OF COLORADO SPRINGS,
ON BEHALF OF ITS ENTERPRISE
COLORADO SPRINGS UTILITIES**



Council President

ATTEST:



Sarah B. Johnson, City Clerk



Approved as to form:



Bethany A. Burgess
City Attorney's Office

ACKNOWLEDGEMENT

The foregoing instrument was acknowledged before me this 8th day of November, 2016, by Merv Bennett, President of the City Council of the City of Colorado Springs.

Witness my hand and official seal.

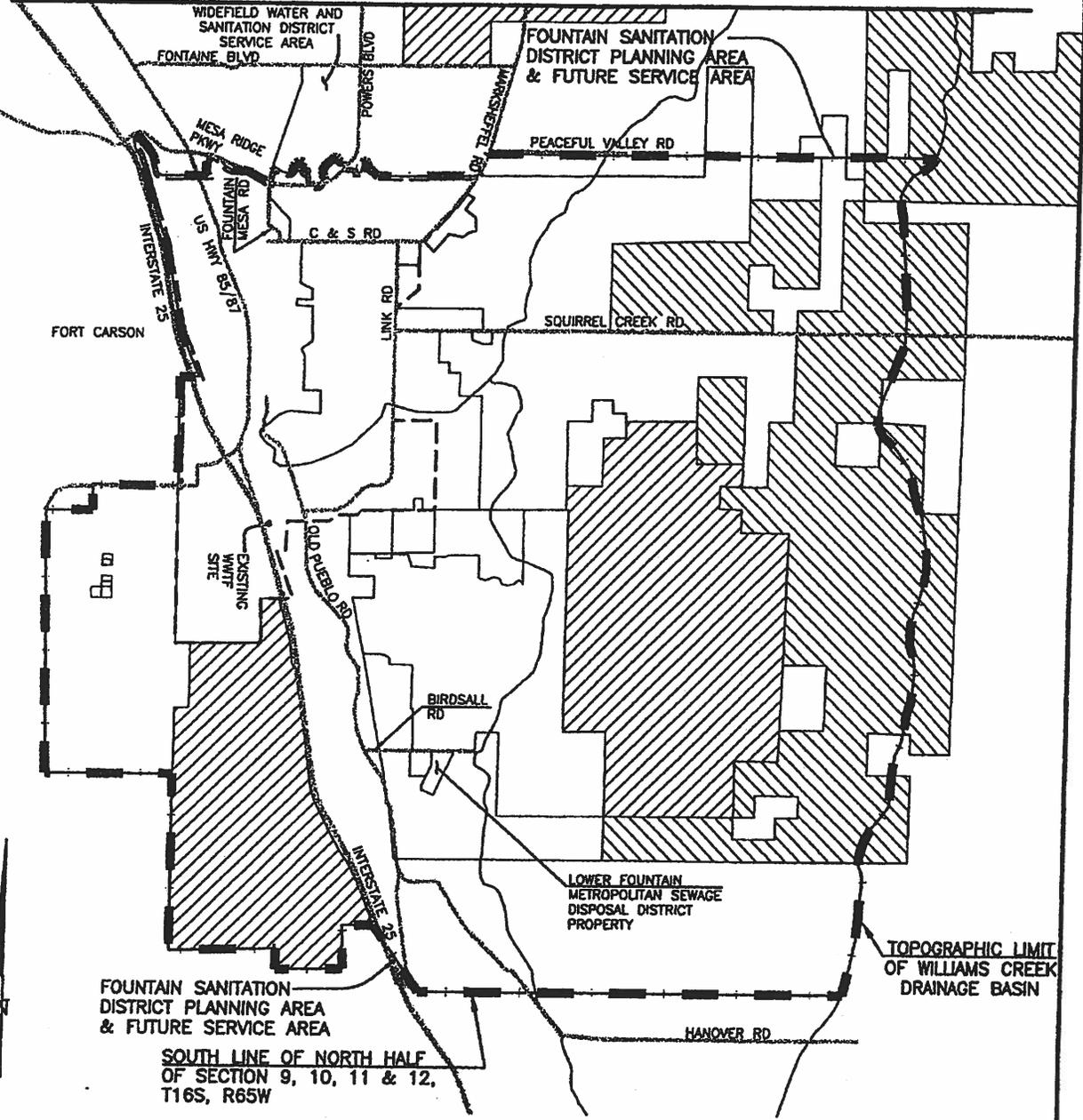
My commission expires November 4, 2018.



Notary Public

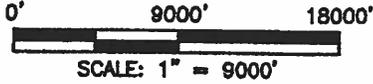


SEE SHEET 2



FOUNTAIN SANITATION DISTRICT PLANNING AREA & FUTURE SERVICE AREA

SOUTH LINE OF NORTH HALF OF SECTION 9, 10, 11 & 12, T16S, R65W



SERVICE AREA 2016-02-09.DWG

-  LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT CONTRACT SERVICE AREA
-  CITY OF COLORADO SPRINGS OWNERSHIP
-  STATE OF COLORADO OWNERSHIP

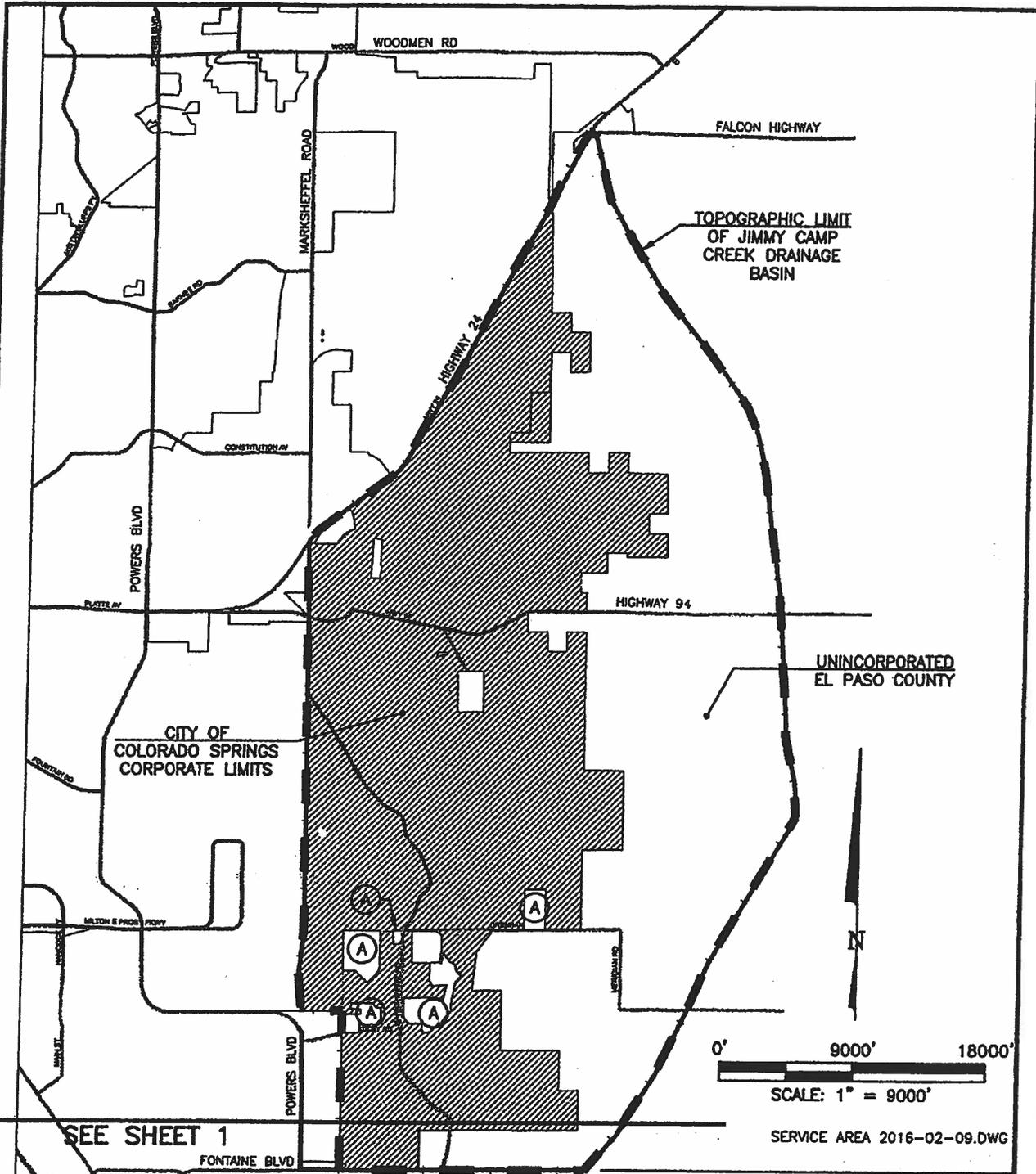
EXHIBIT A
CONTRACT SERVICE AREA
LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT

GMS, INC.

CONSULTING ENGINEERS
 611 N. WEBER, SUITE 300
 COLORADO SPRINGS, COLORADO 80903

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(A) COLORADO CENTRE METROPOLITAN DISTRICT SERVICE AREA

**EXHIBIT A
CONTRACT SERVICE AREA
LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT**

GMS, INC.

CONSULTING ENGINEERS
611 N. WEBER, SUITE 300
COLORADO SPRINGS, COLORADO 80903

SERVICE AREA 2016-02-09.DWG

**APPENDIX B – OPERATION SERVICES AGREEMENT BETWEEN
THE LFMSSD AND THE FOUNTAIN SANITATION
DISTRICT**

**OPERATION SERVICES AGREEMENT
BETWEEN
THE LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
AND THE FOUNTAIN SANITATION DISTRICT**

THIS AGREEMENT is made and entered into this 11 day of Mar, 2010, by and between the Lower Fountain Metropolitan Sewage Disposal District ("Owner") and Fountain Sanitation District ("FSD").

WHEREAS, Owner is a duly formed and organized Metropolitan Sewage Disposal District, whose present members are the Fountain Sanitation District and the Colorado Centre Metropolitan District; and

WHEREAS, Owner is in the process of design and construction of a wastewater reclamation facility to be located at its property off Birdsall Road, which will, upon completion, receive and treat effluent received from its members, and other contributors; and

WHEREAS, Owner is in the process of design and construction of interceptor pipelines to the treatment facility, and will own, maintain and operate the said pipelines as a part of its operations. The treatment facility and interceptor pipelines will be collectively referred to herein as the "Facility"; and

WHEREAS, Owner requires services in the construction, operation and maintenance of the Facility which can be provided efficiently and economically by FSD; and

WHEREAS, FSD has the necessary qualified and experienced personnel and equipment, and has agreed to provide such services on the terms and conditions set forth herein; and

WHEREAS, the provisions of this Agreement reflect the long standing relationship between the parties, and the current composition of the membership of Owner, which provisions might be different in the event of an agreement between Owner and an unaffiliated third party.

NOW, THEREFORE, in consideration of the mutual covenants and premises set forth herein, Owner and FSD agree as follows:

1. Term. The initial term of this Agreement shall end on December 31, 2010.

Contingent upon the appropriation of funds necessary to meet the responsibilities of each party to this Agreement, the Agreement shall be automatically extended for successive one (1) year terms, commencing January 1 of each year, unless notice of non-renewal is given by either party not less than one hundred eighty (180) days prior to the end of the existing term. Non-appropriation of funds by Owner for purposes of this Agreement in any given year shall automatically terminate the Agreement at the end of the then current term.

2. Designated Representatives. For purposes of this Agreement, the parties hereby designate representatives to which communications, requests and other matters of the Agreement will be directed. The designated representative of the Owner shall be the Board of Directors of the Lower Fountain Metropolitan Sewage Disposal District. The designated representative of the FSD shall be the duly appointed Manager of the FSD.

3. Services.

- a. Administrative Services. During the term of this Agreement, FSD will provide administrative services to the Owner for general office, accounting, financial, recordkeeping, and customer service matters, including tasks associated with performing these and other general administrative and office duties (Administrative Services). The Administrative Services to be performed include but are not limited to:

- i. Preparation of and distribution of the Owner's Board of Directors meeting notice and agendas with supporting documents.
 - ii. Attendance at and administration of the Owner's Board of Directors meetings with preparation of permanent records of the proceedings of the Board of Directors.
 - iii. Preparation and/or maintenance of records of the Owner, including all written communications, as required by the Owner's Board of Directors, the Owner's policies, procedures, specifications and regulations, and local, state and federal regulatory requirements.
 - iv. Carrying out and monitoring the Owner's financial affairs as directed by the Owner's Board of Directors including cash accounts, investment accounts, accounts payable, accounts receivable, general ledger, and all other related activities in conformance with the requirements of ordinary and customary accounting and bookkeeping practices and governmental accounting standards and requirements. Such services will be subject to a periodic independent audit as directed by the Owner.
 - v. Administration of agreements for legal, technical, financial and other services where individuals or organizations have been retained by the Owner for such services, including any intergovernmental agreements with another government entity and Owner's service agreements.
- b. Design and Construction Phase Services. During the design and construction of the Facility, FSD shall provide Owner support in all phases of design, planning, construction and construction activities, including, without limitation, construction

inspection, observation and oversight, and general technical consultation. FSD shall provide and utilize so much of its equipment and qualified operations personnel as is reasonably necessary to meet the needs of Owner during the Design and Construction Phase, on an “as available” basis.

c. Operations and Maintenance Phase Services. Once the Facility is operational, FSD shall provide such equipment and personnel as are necessary for the operation and maintenance of the Facility, including, without limitation, vehicles and maintenance equipment, pumps, Vector, camera van, and other similar equipment. FSD shall provide personnel to operate and maintain the Facility, including laboratory and operational staff to maintain the Facility in good working order. The Operations and Maintenance Phase services shall include, without limitation, the following:

- i. Commencing upon the opening of the Facility, FSD will provide all routine management, operation, and maintenance of Owner’s Facility with the intent that effluent discharged complies with the requirements and conditions specified in the Owner’s Colorado Discharge Permit System Permit (“Permit”) within the design capacity of the Facility.
- ii. FSD shall be responsible for day-to-day routine operations of the Facility, including process control and compliance monitoring, laboratory analysis and completion of Daily Operating Reports, records keeping, and the preparation and submission of all required regulatory reports as necessary. FSD shall provide all routine maintenance to the Facility including all equipment, structures, sampling, monitoring and analysis equipment installed or furnished

at the Facility. FSD agrees to conduct such routine operations, maintenance, and compliance monitoring in accordance with Permit conditions and requirements and accepted wastewater utility practices, including the Facility Operation and Maintenance Manual and the maintenance activities recommended by the equipment manufacturer or other maintenance related requirements provided by the Owner.

- iii. FSD shall notify the Members of Owner's Board of Directors in writing and/or electronic communication of any non-routine maintenance requirements within five (5) working days of becoming aware of such need. FSD shall notify the Owner's Board of Directors immediately, and in any event not later than 48 hours, of any emergency non-routine maintenance, major repairs or replacements needed to maintain operating status of the Facility, and/or necessary for Permit compliance which may require expenditure in excess of \$1,500. To the extent FSD has available personnel, equipment, materials and other available resources, FSD will implement the Owner's emergency response plan as specified by the Owner. FSD further agrees to assist the Owner in coordinating and facilitating the acquisition of required contract services to properly manage non-routine or emergency maintenance and repairs where FSD cannot reasonably perform such services or Owner otherwise determines such contract services are either necessary or prudent for good wastewater utility operations practice.
- iv. FSD shall provide properly certified wastewater operators and adequately trained personnel as necessary to properly operate and maintain the Facility

including management of equipment and/or materials purchases necessary for Facility operation and maintenance. FSD shall conduct such activities at the direction and with the oversight of the Owner's Board of Directors.

- v. FSD shall advise the Owner and shall serve as the Owner's Facility Representative to State and Federal regulatory agencies in matters related to the operation of the Facility. FSD shall collect and certify the Discharge Monitoring Report (DMR) data and other routine operations and maintenance information and maintain files of such data and information as is required by the Permit, the Facility Operation and Maintenance Manual, or as may reasonably be directed by the Owner's Board of Directors or otherwise required by State or Federal regulatory agencies. FSD shall serve as the "Operator in Responsible Charge" or ORC with respect to Permit matters, and for certifying, signing, and transmitting in a timely manner all reports, documents, and information to State and Federal regulatory agencies as required by the Permit or as may be required by State and Federal regulatory agencies. FSD shall provide copies of all such reports and correspondence to the Owner within five (5) working days of transmittal of same to the Local, State or Federal regulatory agencies.
- vi. The Owner plans to conduct certain operations required by contract with companies or agencies other than the FSD. These services will include but are not limited to sludge hauling and disposal, equipment calibration, laboratory services and process chemical supply. FSD shall coordinate the procurement and conduct of all such routine contract tasks associated with the operations

and maintenance of the Facility. Such contracts and the financial transaction shall be administered by the FSD, subject to the terms and conditions of specific agreements between the Owner and such contracting companies or agencies, all as directed by the Owner's Board of Directors.

vii. FSD shall exercise reasonable care in performing its obligations and duties under this Agreement. It shall be presumed that reasonable care was used so long as services are provided in the manner in which the FSD operates and maintains its own wastewater treatment and conveyance facilities. FSD shall not be liable to Owner for any claim, damage, cost, or expense (including attorney fees) caused by an unexpected or unforeseen event or malfunction or failure of the Facility or any component thereof, or any other liability or loss; however, the foregoing shall not benefit any third party assign of FSD as Facility operator, nor shall it apply as to any third party claim.

viii. FSD shall at all times provide access to the Facility for Owner and its agents and maintain such security of the Owner's Facility as required by the Owner and specified by the Facility Operations and Maintenance Manual.

4. Responsibilities of Owner

a. As part of this Agreement, Owner shall have and agrees to perform the following responsibilities:

i. Owner (and not FSD) shall obtain and maintain in full force and effect, in accordance with their respective terms, any guarantees, warranties, easements, permits, licenses, and other similar approvals and consents required, received and/or granted to Owner as Owner of the Facility and component parts thereof.

The foregoing does not obligate or require Owner to purchase any extended warranty, or to obtain or maintain any guarantee or warranty or the like, which in Owner's judgment is not necessary for the operation of the Facility.

- ii. It is the intent of the parties that this Agreement "pass-thru" all costs incurred by FSD in providing the services which are described herein. Owner shall be responsible for all expenses of construction, operations, and maintenance of the Facility, including expenses for all capital replacements and all non-routine and/or major emergency maintenance and repairs, and replacements. Owner shall be responsible for expenditures for all service contracts, equipment purchases, utilities and major parts inventory as necessary for operation and maintenance of the Facility.
- iii. Owner shall be responsible for applying for, obtaining, and maintaining a current Permit for the discharge of treated effluent including all required fees and charges associated with obtaining and maintaining such Permit.
- iv. Owner shall be responsible for all property, excise, and other taxes assessed on the Facility or related to the operation thereof, if any.
- v. Owner shall abide by the terms and conditions of any stipulations, compliance schedules, consent orders, or administrative orders by and between the Owner and the Colorado Department of Public Health and Environment, the United States Environmental Protection Agency, and/or any final order from any tribunal of competent jurisdiction relative to violations in the operations and/or maintenance of the Facility.

5. Compensation.

- a. Service Charge. For administrative services performed and services furnished during the design, construction, operation and maintenance of the Facility, Owner shall pay to FSD a monthly sum which is intended to reimburse FSD for the cost of labor, equipment, supplies or other items, which FSD procures and/or otherwise furnishes or utilizes on behalf of Owner hereunder (the "Service Charge"). The initial Service Charge for the Administrative Services as defined in paragraph 3.a. shall be \$3,051.83 per calendar month. The initial Service Charge for Design and Construction Phase Services shall be based on the actual cost of any FSD equipment, materials and qualified operations personnel utilized and applicable to the needs of the Owner. There will be no charge by FSD to the Owner for services of the FSD Manager or Office Administrator during the Design and Construction Phase. The Service Charge shall be due and payable monthly on the first day of each month. The Service Charge shall be jointly and in good faith, reviewed three (3) months from the execution of this Agreement and each three months thereafter during the first year of the term hereof. Thereafter, the Service Charge shall be reviewed semi-annually during the months of November and May by the parties, and shall be adjusted according to the results of such review. In the event that the parties determine in such review that actual services and related expenditures by FSD are significantly greater or significantly less than assumed in the prior period Service Charge (prior three (3) or six (6) months), Owner shall pay to FSD an equitable amount, or FSD shall allow an equitable credit to Owner, for such sums,

the intent of this Agreement being to “pass-thru” the actual costs and expenses of Owner’s operations which are borne by or provided by FSD under this Agreement. FSD and Owner shall jointly and in good faith, establish the initial Operations and Maintenance Phase Service Charge not later than ninety (90) days prior to the commencement of Facility operation. Review and revision of the Operations and Maintenance Phase Service Charge shall be accomplished in the same fashion as described above for Service Charges applicable to Administrative Services and Design and Construction Phase Services.

- b. Non-Routine Services. In the event that FSD is required to perform non-routine services or incur unexpected expense during any Phase, due to an emergency situation or an unexpected or unforeseen event or circumstance, upon giving the Notice specified by this Agreement, FSD may impose a supplemental charge to Owner for the reasonable costs incurred by FSD in regard to such event or circumstance. Owner shall pay such charges within 30 calendar days of receiving a detailed invoice for the same.
6. Termination. Either party may terminate this Agreement without cause upon six (6) months prior written notice. Further, either party may terminate this Agreement in the event of a substantial breach of this Agreement, if such breach is not cured within thirty (30) days of written notice thereof; however, the parties agree that no party may terminate this Agreement in the event the breach reasonably cannot be cured within thirty (30) days of written notice and the party alleged to be in substantial breach is making good faith efforts to cure the breach. Substantial breach, as it relates to Owner, shall include, without limitation, a failure to pay any sums due hereunder when due, or

other action of Owner which materially interferes with the ability of FSD to perform its duties under this Agreement. Substantial breach, as it relates to FSD, shall mean the material failure of FSD to provide the personnel or equipment required by Owner in the design construction or operation of the Facility, or to exercise reasonable care in performing its obligations and duties under this Agreement.

7. Insurance.

- a. FSD shall provide and maintain at all times during the term of this Agreement the following minimum insurance coverages for its services and operations hereunder with Owner named as an additional insured:
 - i. Statutory Workers' Compensation Insurance in compliance with the laws of the State of Colorado which has jurisdiction over the FSD employees engaged in the performance of services hereunder; together with the Employer's Liability coverage in the amount of \$400,000 for each incident.
 - ii. General liability coverage of \$1,000,000 for each occurrence for bodily injury and property damage.
 - iii. Comprehensive automobile liability insurance which shall include \$250,000 combined single limit coverage for bodily injury and property damage. Coverage shall apply to all owned, leased and rented vehicles with Owner named as an additional insured.
- b. FSD will furnish Owner with Certificates of Insurance as evidence that the policies providing the required coverages and limits are in full force and effect. Such policies shall provide that no less than thirty (30) days' notice of cancellation, termination, or alteration shall be sent directly to the FSD and Owner. The cost of

the insurances described herein shall be paid by the Owner to the FSD as a part of the Service Charge to the extent the FSD incurs added cost in excess of that which it would incur if it were not a party to this Agreement.

c. Upon commencement of the Operations and Maintenance Phase, Owner shall maintain in full force and effect all legally required policies of insurance pertaining to the Facility and its operations. Owner shall furnish FSD with Certificates of Insurance as evidence that such policies are in full force and effect. Such policies shall provide that no less than thirty (30) days' notice of cancellation, termination, or alteration shall be sent directly to the FSD and the Owner.

d. The policies of insurance maintained or obtained by either party related to the operations of the Owner or services provided by FSD, shall include the other party as an additional insured thereunder, and shall waive subrogation rights against such other party. The insurance maintained by FSD hereunder shall be primary as to any third party claim for damages, and Owner's insurance shall be secondary and supplemental as to any such claim.

8. Liability. It is the intent of the parties that both Owner and FSD shall enjoy the immunities granted by the Colorado Governmental Immunity Act, C.R.S. 24-10-101, *et. seq.*, and other applicable law, to the fullest extent permitted by law. No term or condition of this Agreement shall be construed or interpreted as a waiver, either express or implied, of any of the immunities, rights, benefits, or protection provided to FSD and Owner under the Colorado Governmental Immunity Act ("CGIA") as amended or as it may be amended in the future, including, without limitation, any amendments to such statute, or under similar statute, which is subsequently enacted. It is understood, agreed,

and intended by the parties hereto that liability for claims and injuries to persons or property is controlled and limited by the provisions of the CGIA. No provision of this Agreement shall be construed in such a manner as to reduce the extent to which the CGIA limits the liability of the parties, their directors, members, officers, agents, attorneys, and employees.

9. Notice. Any notice required hereunder shall be hand delivered or sent certified mail, return receipt requested to the addresses set forth below, or such other addresses as has been designated by a party in writing:

Owner:

Board of Directors
Lower Fountain Metropolitan Sewage Disposal District
901 South Santa Fe Avenue
Fountain, CO 80817

With a Copy to the Attorneys for Owner:

Paul G. Anderson
Paul G. Anderson LLC
P.O. Box 50631
Colorado Springs, CO 80949

FSD:

James E. Heckman, Manager
Fountain Sanitation District
901 South Santa Fe Avenue
Fountain, CO 80817

With a Copy to the Attorneys for FSD:

Scott W. Johnson
Sparks Willson Borges Brandt & Johnson, P.C.
Post Office Box 1678
Colorado Springs, CO 80901

Notice shall be deemed given upon receipt in the case of hand delivery, or three (3) days from mailing, in the case of certified mail.

10. Entire Agreement. This Agreement merges and supersedes all prior negotiations, representations, and agreements between the parties (including any prior Memorandum of Understanding between the parties) and constitutes the entire contract between the parties concerning the services provided hereunder.
11. Waiver. No waiver by either party of any term or condition of this Agreement shall be deemed or construed as a waiver of any other term or condition, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different provision of this Agreement
12. Assignment/Successors and Assigns. No party to this Agreement may assign any interest herein to any Person without the written consent of the other party, which consent may be withheld in the sole and absolute discretion of the non-assigning party. In the event of a permitted assignment, the terms of this Agreement shall inure to the benefit of and be binding upon the respective representatives and successors of each party hereto. Nothing herein contained, however, shall be construed to prevent the reorganization of any party hereto nor as preventing any other body corporate and politic succeeding to the rights, privileges, powers, immunities, liabilities, disabilities, and duties of a party hereto, as may be authorized by law, in the absence of any prejudicial impairment of any obligation of contract hereby imposed.
13. Services by FSD Employees. The parties acknowledge and agree that activities of employees of FSD in the performance of Services provided hereunder, are performed within the course and scope of their employment by FSD.

AGREED to on the day first written above:

LOWER FOUNTAIN METROPOLITAN
SEWAGE DISPOSAL DISTRICT

By: Harold D. Thompson
Harold D. Thompson
Its: Board President

FOUNTAIN SANITATION DISTRICT

By: Richard J. Christian, II
Richard J. Christian, II
Its: Board President

**APPENDIX C – COLORADO SUPREME COURT DECISION:
KRUPP, et al. VS. BRECKENRIDGE SANITATION
DISTRICT**

KRUPP CSA LLC v. BRECKENRIDGE SANITATION DISTRICT

Supreme Court of Colorado, En Banc.

Marshall B. KRUPP; Renate D. Krupp; and CSA Real Estate Development, LLC, a Colorado limited liability company, Petitioners, v. The BRECKENRIDGE SANITATION DISTRICT, a Colorado Special District; The Board of Directors of the Breckenridge Sanitation District, and Andrew Carlberg, as Manager of the Breckenridge Sanitation District, Respondents.

No. 99SC491.

Decided: February 26, 2001

Kutak Rock LLP, Michael G. Martin, Craig N. Johnson, Denver, CO, Attorneys for Petitioners. Vranesh and Raisch, LLP, Eugene J. Riordan, R. Woodruff Curran, Boulder, CO, Attorneys for Respondents. Carolynne C. White, Denver, CO, Attorney for Amicus Curiae Colorado Municipal League. Evan Goulding, Denver, CO, Attorney for Amicus Curiae Special District Association.

The Breckenridge Sanitation District (the District), a special district providing wastewater services, assesses a plant investment fee (PIF) on all building projects within the District. Petitioners Marshall and Renate Krupp challenged the PIF assessment on their new residential townhouse project, arguing, *inter alia*, that it amounted to an unconstitutional taking of property.¹ The court of appeals held that the PIF was not subject to a takings analysis. *Krupp v. Breckenridge Sanitation Dist.*, 1 P.3d 178, 181-82 (Colo.App.1999). We affirm the judgment of the court of appeals.

I.

The District is a single-purpose special district that provides wastewater collection and treatment services. In March 1996, an engineering consulting firm tendered a final report to the District that addressed existing wastewater collection and treatment demands and future requirements. This report, contained in the record of this case, identifies the District's planning and service area as comprising 23,500 acres of the Upper Blue River south from Dillon Reservoir to Hoosier Pass on the Continental Divide. The report describes this geographical area as being the focus of increasingly intense recreational use and development, as the historic mining town of Breckenridge in Summit County has been transformed into an international skiing and year-round resort destination, along with greater Summit, Eagle, and Grand counties.

The District has the powers necessary to implement state and federal regulations. The District's primary wastewater treatment plant discharges in close proximity to Dillon Reservoir, the largest water storage facility for metropolitan Denver's drinking water.² Dillon Reservoir also doubles as an economic and environmental resource of singular importance to Summit County. The Colorado Water Quality Control Commission has classified the Blue River waters, and the Dillon Reservoir receiving and releasing them, for all beneficial uses made in and through this basin, including aquatic life, recreational, water supply, and agricultural uses. 5 Colo.Code Regs. § 1002-33 at 9 (1999). These classifications are accompanied by water quality standards that require pollutant dischargers, like the District, to meet strict effluent limitations governing its discharge permits, which are issued and enforced by the Colorado Water Quality Control Division. *Id.*; see also § 25-8-203, 8 C.R.S. (2000) (authorizing classification of state waters); § 25-8-204, 8 C.R.S. (2000) (authorizing promulgation of water quality standards); § 25-8-501, 8 C.R.S. (2000) (authorizing discharge permits); §§ 25-8-701 to 703, 8 C.R.S. (2000) (addressing domestic wastewater treatment works). Dillon Reservoir is phosphorus-

limited, which provides the significant degree of protection required to enable development in watersheds experiencing significant growth affecting standing water bodies, such as lakes and reservoirs.

As the report sets forth, the impact of human activity on water quality and quantity in this geographical area drives the District's service obligations and its revenue requirements. The Upper Blue River drainage is the subject of complex inter-governmental/private agreements and court decrees for the management and use of water rights, permitting out-of-priority diversions and exchanges paired with minimum stream flows in identified segments of the stream for protection of the environment.³ This combination of private and public purposes assists Colorado and its citizens in placing to use, on both sides of the Continental Divide, the State's share of Colorado River Compact waters,⁴ for traditional uses, such as municipal drinking water, and newly evolving uses, such as ski-area snowmaking and minimum stream flow water rights of the Colorado Water Conservation Board for preservation of the environment to a reasonable degree.⁵ In this context, the treatment of wastewater for return to the Blue River is an important public purpose and the reason for the District's existence.

Accordingly, District facilities are designed to deliver high quality effluent back to the Blue River and to Dillon Reservoir. The engineering consultant reported to the District in 1996 that the existing wastewater treatment works would reach 95% capacity, 3.0 million gallons per day, within the next two to three years. Under Colorado statutes and regulations, upon reaching 95% capacity, the District is required to undertake planning for the expansion of its wastewater collection and treatment capability, so that the necessary facilities and treatment technologies will be in place to accommodate reasonably anticipated future demand for wastewater services. See 5 Colo.Code Regs. § 1002-61.8(7)(a)(iv) at 90 (1999).

The ability to develop land in the Upper Blue River drainage is directly and inexorably tied to the District's service function. Human uses require safe and beneficial disposal of human-generated pollutants. Land use authorization for development in the area therefore depends upon-and assumes-the District's financial ability to serve its customers, thereby enabling developers to complete their projects while reliably and dependably meeting all applicable health, environmental, and safety standards.

Consistent with sound and necessary financial, planning, and regulatory requirements, the users of the District's services are together answerable for the cost of bearing the present and growing load they generate. Accordingly, in connection with its services, the District assesses a number of fees, including "connection fees" for physical connections to its facilities, "monthly service fees" for use of the facilities, and "plant investment fees" (PIFs). A PIF is a one-time charge designed to defray the cost of expanding the District's infrastructure as development increases demand for the District's services. The PIF must be paid to the District before the Town of Breckenridge issues a building permit or certificate of occupancy for a new building.⁶ The District assesses the PIF for a particular project by first calculating the project's peak effluent flow as the multiple of the peak flow from an average single family home in the District, measured in "single family equivalent" (SFE) units. One SFE unit contributes a maximum of 300 gallons of wastewater per day. The District has promulgated a schedule for the conversion of building projects into SFE units. Once a project is converted into SFE units, the District calculates the PIF assessment by multiplying the project's total number of SFE units by the unit PIF rate (currently \$4,000 per unit).

The District's SFE conversion scale differentiates among residential units. The District uses one rate for single family residences, duplexes, and manufactured homes-unit types traditionally employed for long-term, year-round use. Another rate applies to short-term rental units such as apartments, townhouses, and condominiums. Because short-term dwellings tend to have higher peak occupancies and higher peak flows than comparably sized long-term dwellings, the SFE conversion rate for apartments, townhouses, and condominiums is significantly higher than the conversion rate for single family residences, duplexes, and manufactured homes.⁷ The District's conversion schedule does not include a conversion category for triplexes; the District Manager is authorized to assign SFE units to triplexes, taking into account the legislative fee design.

The Krupps, owners of property in Summit County, sought to construct The Woods at Breckenridge, a residential town-house complex.⁸ The development plans called for twenty-five units, arranged in eight duplex and three triplex buildings. All relevant characteristics of the units (square footage, number of bedrooms and bathrooms, etc.) in triplex buildings are substantially identical to the units in the duplex buildings.

In August 1995, the District informed the Krupps that in calculating the PIF assessment for the Woods at Breckenridge project, it was using the lower SFE conversion rate for the duplexes and the higher conversion rate for the triplexes. The Krupps appealed to the District's Board of Directors (Board), arguing that since all the units-whether they were contained in the duplex or triplex buildings-were substantially the same, the lower conversion rate should have been used on all twenty-five units. The Krupps also argued that the District's PIF assessment for their project was subject to a constitutional takings analysis under *Nollan v. California Coastal Commission*, 483 U.S. 825, 107 S.Ct. 3141, 97 L.Ed.2d 677 (1987) and *Dolan v. City of Tigard*, 512 U.S. 374, 114 S.Ct. 2309, 129 L.Ed.2d 304 (1994). After a hearing, the Board decided to hire an expert in utility rate-setting to independently evaluate the District's SFE conversion schedule and unit PIF rate.

The expert report, submitted in February 1996 and contained in the record, concluded that the PIF assessment was not excessive in relation to the projected impact of the Krupps' project, and that there was no evidence that triplex units should be converted at the lower rate. In fact, the expert report noted that the use of duplexes had changed since the conversion chart was last promulgated, and that now they were more likely to be used as short-term rental property (subject to the higher SFE conversion rate) than as long-term residences. Therefore, in light of the District's short-term/long-term criteria, the District did not overcharge the Krupps for the triplexes, but instead undercharged for the duplexes.⁹ Based in part on these findings, the Board affirmed the PIF assessment and the Krupps paid the PIF under protest.

The Krupps brought suit in Summit County District Court in April 1996, seeking review of the Board's action under C.R.C.P. 106(a)(4).¹⁰ The Krupps also renewed their claim, among others, that the PIF assessment on their project was an unconstitutional taking. The trial court bifurcated the action between the Rule 106 claim and all other claims. On May 8, 1997, the trial court ruled that Rule 106 relief was not appropriate, as the Board did not exceed its jurisdiction or abuse its discretion in assessing the PIF against the Krupps. The Krupps then moved to amend their complaint to add a claim under 42 U.S.C. § 1983. The trial court denied the motion, holding that Rule 106 obligated the Krupps to bring all claims within one action and within thirty days of the Board's final decision.

Both parties filed for summary judgment on the *Nollan/Dolan* issue. The trial court noted that implicit in its Rule 106 ruling was the determination that the PIF assessment was not constitutionally defective. The trial court also held that *Nollan* and *Dolan* were inapplicable, because those cases were limited to certain land use decisions, and the PIF addresses wastewater collection and treatment, not land use. Finally, the trial court held that even if *Nollan* and *Dolan* were applicable, the District satisfied the test because the PIF is roughly proportional to the impact of the project on the District's facilities.

The court of appeals affirmed the trial court's determination. *Krupp*, 1 P.3d at 180. First, the court of appeals noted that the District has no statutory or regulatory authority to deny or condition the issuance of building permits, and therefore, could not leverage or extort fees under the threat of denying the permit. *Id.* at 181-82. Second, the court of appeals concluded, "the essence of a *Nollan/Dolan* violation is the demanding by the governmental authority of a concession, especially a dedication of an interest in real property, for its own benefit and not to offset the impact of the proposed development." *Id.* at 182. The District, by contrast, was assessing a charge that was primarily of benefit to the Krupps and directly related to their project development. Accordingly, the court of appeals found *Nollan* and *Dolan* inapplicable. *Id.*

II.

We hold that the PIF is a valid, legislatively established fee that is reasonably related to the District's interest in expanding its infrastructure to account for new development, and that the District's specific PIF assessment on the Krupps' pro-

ject was fairly calculated and rationally based. As such, the PIF does not fall into the narrow category of charges that are subject to the Nollan/Dolan takings analysis.

A.

Facilities and Services Fees

We begin by discussing the nature and characteristics of the PIF. As part of its duty to provide wastewater collection and treatment services, the District, through its Board, is expressly authorized to “fix and from time to time to increase or decrease fees, . for services, programs, or facilities furnished by” the District. § 32-1-1001(1)(j)(I), 9 C.R.S. (2000); see also § 32-1-1006(1)(a)(I), 9 C.R.S. (2000) (providing authority for the District to compel owners of buildings within the District's boundaries to connect to the water and sewer lines). The legislature grants special districts and local governments the authority to set fees; this promotes the policy of having development help pay its own way. See *Board of County Comm'rs v. Bainbridge, Inc.*, 929 P.2d 691, 698 (Colo.1996); *Bennett Bear Creek Farm Water & Sanitation Dist. v. City & County of Denver*, 928 P.2d 1254, 1268 (Colo.1996). Local governments often require various forms of development fees in order to apportion some of the capital expense burden they face to developers and new residents. *Bainbridge*, 929 P.2d at 698. The District has explicitly adopted this rationale for assessing the PIF, noting that “current customers are not expected to subsidize or pay for growth or to benefit development and/or developers.” *Breckenridge Sanitation District, Financial Procedures and Policies 1* (Jan.1990).

In conjunction with the legislative grant of authority to set appropriate fees, the District promulgated a Single-Family Equivalent Unit Conversion Schedule, which set forth a comprehensive system for determining SFE units and converting them into PIF assessments. A PIF is assessed on every new project in the District, from residential housing to retail stores to service stations. In promulgating its schedule for assessing PIFs, the District acted in a legislative capacity. See *Bennett Bear Creek*, 928 P.2d at 1261 (holding that a district acts legislatively when it sets rates and charges for its services); *Cottrell v. City & County of Denver*, 636 P.2d 703, 710 (Colo.1981) (determining that “[r]atemaking is essentially a legislative function”).

Municipal charges fall into four categories: (1) ad valorem property taxes; (2) excise taxes; (3) special assessments; and (4) service fees.¹¹ See *Bloom v. City of Fort Collins*, 784 P.2d 304, 309 (Colo.1989). The court of appeals concluded that the PIF was a service fee. *Krupp*, 1 P.3d at 184. We agree. A service fee is “a charge imposed on persons or property for the purpose of defraying the cost of a particular government service.” *E-470 Pub. Highway Auth. v. 455 Co.*, 3 P.3d 18, 24 (Colo.2000); *Bloom*, 784 P.2d at 308. The PIF meets this definition: it is a one-time charge assessed on new building projects within the District for the purpose of defraying the cost of expanding the District's wastewater treatment system to accommodate new projects.

The PIF is very similar to a number of other municipal charges that we have held to be constitutionally valid service fees.

See, e.g., *City of Littleton v. State*, 855 P.2d 448, 452 (Colo.1993) (storm drainage and flood management system); *Anema v. Transit Constr. Auth.*, 788 P.2d 1261, 1267 (Colo.1990) (public transportation system); *Bloom*, 784 P.2d at 310 (street maintenance); *Zelinger v. City & County of Denver*, 724 P.2d 1356, 1359 (Colo.1986) (storm drainage system); *Loup-Miller Constr. Co. v. City & County of Denver*, 676 P.2d 1170, 1174 (Colo.1984) (sewer system); *City of Arvada v. City & County of Denver*, 663 P.2d 611, 615 (Colo.1983) (water system).

Because a service fee is designed to defray the cost of a particular governmental service, the amount of the fee must be reasonably related to the overall cost of the service. *Bloom*, 784 P.2d at 308. Mathematical exactitude is not required, however, and the particular mode adopted by the governmental entity in assessing the fee is generally a matter of legislative discretion. *Id.* Absent evidence to the contrary, we presume that the District may rationally distinguish between different types of projects in setting its rates. See *Loup-Miller*, 676 P.2d at 1174. Because the setting of rates and fees is a legislative function that involves many questions of judgment and discretion, we will not set aside the methodology chosen by an entity with ratemaking authority unless it is inherently unsound. *Bennett Bear Creek*, 928 P.2d at 1268.

Here, the District commissioned an independent expert report to evaluate its system for converting projects into SFE units and assessing PIFs. The expert report concluded: (1) multi-family units (such as apartment buildings and condominiums) are much more likely to be used as temporary rental units than are single family units; (2) multi-family units have, on average, higher per unit peak day flows than single family units; (3) the variation in selected conversion units used for residential users is therefore reasonable; (4) based on updated demographic information, duplexes are more appropriately treated as multi-family units; and (5) the current unit PIF rate of \$4,000 per SFE unit falls well within the justifiable range for unit PIF rates, based on the District's combined historical investment and capital cost. Based on this and other evidence, the Board concluded that the District's rate design, and differential charges implementing these rates, was rational. The trial court agreed.

We agree with the trial court that the record is sufficient to establish a rational basis for the distinction between long-term and short-term residences in the District's SFE conversion schedule. We also agree that based on the evidence suggesting that the expected short-term, high-occupancy use of the triplex units is typical of the multi-family unit conversion category, the District had a rational basis for assessing triplexes in the higher, multi-family category. Given the evidence that even duplexes are more appropriately categorized as short-term, high-occupancy units, we reject the Krupps' contention that in assessing the PIF on their particular project, the District should have converted both the duplexes and triplexes using the lower SFE rate.

The District Manager calculated the specific PIF assessment on the Krupps' project by utilizing the publicly promulgated conversion schedule. There is no evidence that, in performing this task, the District Manager arbitrarily ignored the PIF's legislatively established design or miscalculated the assessment. While the SFE conversion schedule did not provide a specific conversion rate for triplexes, the District explicitly authorized the District Manager to make such a determination. See Breckenridge Sanitation District, Rules and Regulations 9-7 (Apr.1988). Such authorization is permissible, as long as there are sufficient statutory and administrative safeguards to insure that administrative action will be rational and consistent, and that subsequent judicial review of the action, if necessary, will be available and effective. See Cottrell, 636 P.2d at 709; see also Fremont RE-1 Sch. Dist. v. Jacobs, 737 P.2d 816, 819 (Colo.1987) (noting that the modern trend for courts is to allow greater freedom of discretion, within the scope of their authority, to administrative officials). The District Manager, exercising properly authorized direction, selected a conversion rate for the triplexes that was supported by the evidence as being reasonable and consistent.

We conclude that the PIF is established by legislative authority, and is reasonably related to the specific government service of providing wastewater collection and treatment to new developments within the District. It rationally differentiates between different classes of buildings based upon anticipated peak wastewater flows per unit. Furthermore, the District Manager validly calculated the Krupps' specific PIF assessment according to a publicly promulgated conversion framework.

Nevertheless, the Krupps maintain that because payment of the PIF is a condition of development, the District's assessment of the PIF against their development constitutes a regulatory taking. We now turn to that question.

B.

Scope and Limitations of Nollan and Dolan

The Fifth Amendment to the United States Constitution provides, "nor shall private property be taken for public use without just compensation." U.S. Const. amend. V. Just compensation for a taking of private property was made applicable to the States through the Fourteenth Amendment, see *Chicago, B. & Q. R.R. Co. v. Chicago*, 166 U.S. 226, 239, 17 S.Ct. 581, 585-86, 41 L.Ed. 979, 985 (1897), and is expressly provided for in the Colorado Constitution. Colo. Const. art. II, § 15; *Fowler Irrevocable Trust 1992-1 v. City of Boulder*, 17 P.3d 797, 802 (Colo.2001). The Takings Clause assures that the government may not force "some people alone to bear public burdens which, in all fairness and justice, should be borne by the public as a whole." *Dolan*, 512 U.S. at 384, 114 S.Ct. at 2316, 129 L.Ed.2d at 316 (quoting *Armstrong v. United States*, 364 U.S. 40, 49, 80 S.Ct. 1563, 1569, 4 L.Ed.2d 1554, 1561 (1960)).

A taking unquestionably occurs when an entity clothed with the power of eminent domain substantially deprives a property owner of the use and enjoyment of that property. See *Fowler*, 17 P.3d at 801; *City of Northglenn v. Grynberg*, 846 P.2d 175, 178 (Colo.1993). There is no taking, however, where the government implements a land use regulation that “substantially advance[s] legitimate state interests” and does not “den[y] an owner economically viable use of his land.” *Nollan*, 483 U.S. at 834, 107 S.Ct. 3147, 97 L.Ed.2d at 687 (quoting *Agins v. Tiburon*, 447 U.S. 255, 260, 100 S.Ct. 2138, 2142, 65 L.Ed.2d 106, 112 (1980)).

In between these scenarios lie development exactions, in which the government requires a landowner to forfeit part of his or her property for public use as a condition of development. While not per se takings, development exactions will be deemed takings requiring just compensation unless they satisfy a two part test: (1) there must be an “essential nexus” between the legitimate government interest and the exaction demanded, *Dolan*, 512 U.S. at 386, 114 S.Ct. 2317, 129 L.Ed.2d at 317; *Nollan*, 483 U.S. at 837, 107 S.Ct. 3149, 97 L.Ed.2d at 689; and (2) there must be “rough proportionality” between the governmental interest and the required dedication. *Dolan*, 512 U.S. at 391, 114 S.Ct. 2319, 129 L.Ed.2d at 320.

“No precise mathematical calculation is required” for the rough proportionality test, but the governmental entity “must make some sort of individualized determination that the required dedication is related both in nature and extent to the impact of the proposed development.” *Id.*

The Krupps argue that the PIF assessment on their project is a development exaction subject to the *Nollan/Dolan* analysis.

They further maintain that because there was no individualized determination of the impact of their development, the PIF violates the “rough proportionality” prong of the *Nollan/Dolan* test. We disagree. Application of the *Nollan/ Dolan* test has been limited to the narrow set of cases where a permitting authority, through a specific, discretionary adjudicative determination, conditions continued development on the exaction of private property for public use.¹² The service fee at issue is neither the result of a discretionary adjudicative decision of this type nor an exaction of property; it is a payment for services necessary to enable development of the project and to comply with responsibilities of those who generate pollutants.

1. Legislative v. Adjudicative Determinations

Both *Nollan* and *Dolan* concerned discretionary adjudicative determinations specific to one landowner and one parcel of land, and involved a demand for the dedication of a portion of the land for public use. In *Nollan*, the California Coastal Commission conditioned a building permit on the landowner granting an easement for public access to the beach behind the landowner's property. See 483 U.S. at 828, 107 S.Ct. 3144, 97 L.Ed.2d at 683. Likewise, in *Dolan*, the city made an adjudicative decision to condition the landowner's application for a building permit on an individual parcel of land. See 512 U.S. at 391 n. 8, 114 S.Ct. 2320, 129 L.Ed.2d at 320. The Court distinguished typical land use regulations from the type of pointed exaction demanded in *Dolan*, noting that “[t]he sort of land use regulations [that have been sustained against constitutional challenge] involved essentially legislative determinations classifying entire areas of the city, whereas here the city made an adjudicative decision to condition petitioner's application for a building permit on an individual parcel.” *Id.* at 385, 114 S.Ct. 2316, 129 L.Ed.2d at 316

Colorado's regulatory takings statute has codified the *Nollan/Dolan* test, and with it, the distinction between legislative and adjudicative determinations. See § 29-20-203(1), 9 C.R.S. (2000). By its very language, the statute limits the *Nollan/Dolan* test to charges that are “determined on an individual and discretionary basis.” *Id.* The statute explicitly declines to apply the test to “any legislatively formulated assessment, fee, or charge that is imposed on a broad class of property owners by a local government.” *Id.*¹³ While a party may petition for review of a legislatively based assessment that results from arbitrary or illegal administrative action under C.R.C.P. 106(a)(4), this form of review is not an “individual or discretionary” adjudication as contemplated in section 29-20-203(1).

Other jurisdictions have also distinguished between generally applicable, legislatively formulated fees and adjudicatively imposed development exactions. The California Supreme Court, for example, noted that:

[I]t is not at all clear that the rationale (and the heightened standard of scrutiny) of Nollan and Dolan applies to cases in which the exaction takes the form of a generally applicable development fee or assessment—cases in which the courts have deferred to legislative and political processes to formulate “public program[s] adjusting the benefits and burdens of economic life to promote the common good.”

Ehrlich v. City of Culver City, 12 Cal.4th 854, 50 Cal.Rptr.2d 242, 911 P.2d 429, 446 (1996) (emphasis in original) (citations omitted); see also *Parking Ass'n of Georgia, Inc. v. City of Atlanta*, 264 Ga. 764, 450 S.E.2d 200, 203 (1994). One critical difference between a legislatively based fee and a specific, discretionary adjudicative determination is that the risk of leveraging or extortion on the part of the government is virtually nonexistent in a fee system. When a governmental entity assesses a generally applicable, legislatively based development fee, all similarly situated landowners are subject to the same fee schedule, and a specific landowner cannot be singled out for extraordinary concessions as a condition of development. See *Home Builders Ass'n of Cent. Arizona v. City of Scottsdale*, 187 Ariz. 479, 930 P.2d 993, 1000 (1997); *Loyola Marymount Univ. v. Los Angeles Unified Sch. Dist.*, 45 Cal.App.4th 1256, 53 Cal.Rptr.2d 424, 434 (1996).

Here, the District created a generally applicable service fee on all new development within the District. The General Assembly authorized the fee and the District assessed it under the terms of a publicly promulgated conversion schedule. Neither the promulgation of the conversion schedule, nor the calculation of the Krupps' PIF assessment by the assigned administrative official, constituted a discretionary adjudicative activity. See *Cottrell*, 636 P.2d at 710 (noting that in setting out rate schedules for future application, a governmental entity engages in the “balancing of many questions of judgment and discretion” that is the mark of a legislative activity). Unlike the landowners in *Nollan and Dolan*, whose conditions for development were determined on an individualized adjudicative basis, the Krupps were charged a fee that was assessed on all new development within the District. The PIF assessment on the Krupps' development, then, is different from the exactions subject to *Nollan and Dolan*, both in its creation and in its reach.

2. Property Exactions v. Monetary Exactions

The PIF also differs from traditional *Nollan/Dolan* exactions in that it is purely a monetary assessment rather than a dedication of real property for public use. Notwithstanding this difference, the Krupps argue that the PIF assessment is an exaction of the kind contemplated in *Nollan and Dolan*. They assert that for the purpose of a takings analysis, there is no difference between exactions that invoke the dedication of land and those that do not. We do not agree. Recent pronouncements by the United States Supreme Court strongly indicate that the *Nollan/Dolan* test is limited to exactions involving the dedication of property.

The Supreme Court recently clarified the narrow scope of the *Nollan/Dolan* test in *City of Monterey v. Del Monte Dunes at Monterey, Ltd.*, 526 U.S. 687, 119 S.Ct. 1624, 143 L.Ed.2d 882 (1999). In *City of Monterey*, the city repeatedly rejected proposals to develop a property, each time adding new requirements for the approval of the development plan. The Supreme Court rejected the applicability of *Nollan and Dolan* to the case, noting that “we have not extended the rough-proportionality test of *Dolan* beyond the special context of exactions-land-use decisions conditioning approval of development on the dedication of property to public use.” *Id.* at 702, 119 S.Ct. 1635, 143 L.Ed.2d at 900 (emphasis added). The plain language of *City of Monterey* suggests that a *Nollan/Dolan* analysis is appropriate in the narrow circumstance where the government conditions development on the forfeiture of private property for public use.

The *City of Monterey* Court made explicit the conclusion that other jurisdictions had been reaching for years. In *Clajon Prod. Corp. v. Petera*, 70 F.3d 1566, 1578 (10th Cir.1995), the Tenth Circuit Court of Appeals concluded that *Nollan and Dolan* “are limited to the context of development exactions where there is a physical taking or its equivalent.” The *Clajon* court further explained:

Nollan and Dolan essentially view the conditioning of a permit based on the transfer of a property interest—i.e., an easement—as tantamount to a physical occupation of one's land. Thus, we believe that *Nollan and Dolan* are best understood as extending the analysis of complete physical occupation cases to those situations in which the government achieves the same end (i.e., the possession of one's physical property) through a conditional permitting procedure.

Id.

Other state courts have reached similar conclusions about the limited scope of Nollan and Dolan. In *City of Scottsdale*, 930 P.2d at 1000, the city imposed a water resources development fee on all new realty developments. In upholding the constitutionality of the fee, the Arizona Supreme Court distinguished Dolan, noting that the property exaction there was “a particularly invasive form of land regulation [justifying] increased judicial protection for the landowner,” while the city’s water resources development fee was “a considerably more benign form of regulation.” Similarly, in *McCarthy v. City of Leawood*, 257 Kan. 566, 894 P.2d 836 (1995), the Kansas Supreme Court refused to apply a Dolan analysis where building permits were conditioned on payment of impact fees. The court noted that “[t]he majority [in Dolan] concluded that the conditions which required the dedication of land constituted an uncompensated taking. There is nothing in the [Dolan] opinion, however, which would apply the same conclusion to Leawood’s conditioning certain land uses on the payment of a fee.” Id. at 845.

There was no physical taking here. The PIF is not an exaction of land; rather, it is a generally applicable service fee designed to defray the costs of expanding the wastewater treatment system directly caused by new development. Because Nollan, Dolan, and their progeny applied heightened scrutiny only where the government demanded real property as a condition of development, we find that they are not applicable to a general development fee.

The Krupps urge that City of Monterey does not close the door on application of the Nollan/Dolan test to monetary exactions. They argue that the City of Monterey Court was never presented with the specific question of monetary exactions, since the actions of the city involved complete denial of the landowner’s proposed development, not a demand for money.

Furthermore, the Krupps cite cases in which purely monetary exactions were subjected to a Nollan/Dolan analysis. See *Ehrlich*, 50 Cal.Rptr.2d 242, 911 P.2d at 439 (applying Nollan and Dolan where the city conditioned a permit to build tennis courts on a payment of \$280,000, to be used for additional public recreational facilities); *Homebuilders Ass’n of Dayton v. City of Beavercreek*, 89 Ohio St.3d 121, 729 N.E.2d 349, 356 (2000) (citing Nollan and Dolan for its own test for a development impact fee); *Clark v. City of Albany*, 137 Or.App. 293, 904 P.2d 185, 189 (1995) (applying Dolan where permit conditions required the landowner to expend money on improvements for the public benefit).

We recognize that the context of the Supreme Court’s pronouncement in *City of Monterey* leaves open the possibility that a very narrow class of purely monetary exactions may be subject to heightened scrutiny under the Nollan/ Dolan test. The PIF, however, does not fall into this narrow class. In both *Ehrlich* and *Clark*, the charges subjected to the Nollan/Dolan analysis were not generally applicable fees, but rather exactions stemming from adjudications particular to the landowner and parcel. The court in *City of Beavercreek* discussed Nollan and Dolan in the context of service fees, but ultimately articulated a “reasonable relationship” test. See *City of Beavercreek*, 729 N.E.2d at 356. We can find no indications from the Supreme Court or in other caselaw to support the application of heightened scrutiny to generally applicable service fees such as the PIF.

Conclusion

We therefore conclude that the PIF is a legislatively created, generally applicable service fee, and is not subject to a takings analysis under Nollan and Dolan. Each PIF assessment is calculated by publicly promulgated standards that are applicable to all new developments within the District. The PIF is not imposed adjudicatively in the Nollan/Dolan sense, and is not an assessment unique to the Krupps. Moreover, the PIF is neither a land use regulation nor an exaction of property as a condition of development. Consequently, it does not fall into the relatively narrow category of development exactions addressed by Nollan and Dolan.

III.

Accordingly, we affirm the judgment of the court of appeals.

FOOTNOTES

1. We granted certiorari on the following issue: Whether an impact fee levied against a development by a special district is a development exaction subject to a constitutional takings analysis under *Nollan v. California Coastal Commission*, 483 U.S. 825, 107 S.Ct. 3141, 97 L.Ed.2d 677 (1987) and *Dolan v. City of Tigard*, 512 U.S. 374, 114 S.Ct. 2309, 129 L.Ed.2d 304 (1994).
2. The public sector's demand for water in the twentieth and twenty-first centuries, principally municipal water supply, has mirrored the nineteenth century's expansive demand for agricultural water. This demand has given rise, for example, to Denver's acquisition of a private water company and its pursuit of high quality mountain water, together with the water rights and storage structures critical to maintaining a dependable water supply. See *Bennett Bear Creek Farm Water & Sanitation Dist. v. City & County of Denver*, 928 P.2d 1254, 1259 (Colo.1996).
3. See *City of Grand Junction v. City & County of Denver*, 960 P.2d 675, 677-78 (Colo.1998).
4. See *Board of County Comm'rs v. Crystal Creek Homeowners' Ass'n*, 14 P.3d 325, 338 (Colo.2000).
5. Colorado's tourist and recreational economy, as old as the State itself, has proven to be more enduring than the mineral discoveries that birthed the Colorado Territory. See *People v. Schafer*, 946 P.2d 938, 943-44 n. 7 (Colo.1997).
6. While the District must sign off on the issuance of building permits within the District, only the Town of Breckenridge has ultimate authority to grant or deny a building permit. The District's signoff is a representation that the District will provide wastewater treatment services to the new development.
7. For example, a single-family residence with three bedrooms and two baths would receive 1.0 SFE units, while an apartment with the same number of bedrooms and baths would receive 1.8 SFE units.
8. The Krupps' development company, CSA Real Estate Development, LLC, was an original party to this suit. CSA did not file a timely petition for certiorari, and is not a proper party to this appeal.
9. As a result of this study, the District subsequently amended its rules to include duplexes in the higher-rate category for apartments and condominiums.
10. C.R.C.P. 106(a)(4) allows review "[w]here any government body or officer or any lower judicial body exercising judicial or quasi-judicial functions has exceeded its jurisdiction or abused its discretion, and there is no plain, speedy and adequate remedy otherwise provided by law."
11. We have used the terms "service fee," "special fee," and "special charge" interchangeably in our case law to denote a charge reasonably designed to meet the overall costs of the specific service for which the fee is imposed. See, e.g., *City of Littleton v. State*, 855 P.2d 448, 452 (Colo.1993); *Bloom v. City of Fort Collins*, 784 P.2d 304, 308 (Colo.1989); *Loup-Miller Constr. Co. v. City & County of Denver*, 676 P.2d 1170, 1173 (Colo.1984). Here, we exclusively use the term "service fee" in speaking to the entire range of fees the statute authorizes the District's Board to adopt.
12. See Greg Clifton, *Recent Developments in Regulatory Takings*, 28 Colo. Law., Nov. 1999, at 83.
13. The General Assembly has declared that special districts are political subdivisions and local governments of the State of Colorado. See § 32-1-1601, 9 C.R.S. (2000); see also *Romer v. Fountain Sanitation Dist.*, 898 P.2d 37, 39 (Colo.1995).

Justice HOBBS delivered the Opinion of the Court.

**APPENDIX D – FOUNTAIN SANITATION DISTRICT ASSET VALUE
INFORMATION**

FOUNTAIN SANITATION DISTRICT [20217]
Depreciation Expense

Financial

01/01/2018 - 12/31/2018

System No.	S	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Bus./Inv. %	Sec. 179/ Bonus	Salvage/ Basis Adj.	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
Buildings												
9		OFFICE BUILDING	1/1/1972	SL / N/A	40.0000	19,847.00	100.0000	0.00	0.00	19,847.00	0.00	19,847.00
12		STORAGE BUIL	1/1/1973	SL / N/A	10.0000	4,286.00	100.0000	0.00	0.00	4,286.00	0.00	4,286.00
14		STORAGE SHEI	1/1/1985	SL / N/A	10.0000	18,900.00	100.0000	0.00	0.00	18,900.00	0.00	18,900.00
15		BUILDING ADDI	11/1/1988	SL / N/A	30.0000	39,475.00	100.0000	0.00	0.00	38,378.38	1,096.62	39,475.00
72		SHED ENCLOS	1/1/1994	SL / N/A	20.0000	12,063.00	100.0000	0.00	0.00	12,063.00	0.00	12,063.00
56		BOARD ROOM	8/1/2002	SL / N/A	25.0000	25,358.00	100.0000	0.00	0.00	15,637.43	1,014.32	16,651.75
225		Equipment Stor	12/1/2004	SL / N/A	25.0000	173,445.11	100.0000	0.00	0.00	151,282.71	11,563.01	162,845.72
234		Admin Building	12/31/2004	SL / N/A	25.0000	175,489.15	100.0000	0.00	0.00	91,254.41	7,019.57	98,273.98
241		Admin. Building	1/1/2005	SL / N/A	25.0000	74,950.68	100.0000	0.00	0.00	38,974.39	2,998.03	41,972.42
247		Equipment Stor	1/1/2005	SL / N/A	15.0000	18,078.38	100.0000	0.00	0.00	15,667.99	1,205.23	16,873.22
314		Building Improv	1/1/2007	SL / N/A	15.0000	17,696.46	100.0000	0.00	0.00	12,977.36	1,179.76	14,157.12
318		Building Improv	4/9/2008	SL / N/A	15.0000	24,996.58	100.0000	0.00	0.00	16,247.79	1,666.44	17,914.23
326		Building Improv	5/13/2009	SL / N/A	15.0000	458.67	100.0000	0.00	0.00	265.03	30.58	295.61
332		Building Improv	12/31/2010	SL / N/A	15.0000	11,495.00	100.0000	0.00	0.00	5,364.31	766.33	6,130.64
336		Building Improv	12/31/2011	SL / N/A	15.0000	2,000.00	100.0000	0.00	0.00	799.98	133.33	933.31
		Subtotal: Buildings				618,539.03		0.00	0.00	441,945.78	28,673.22	470,619.00
		Less dispositions and exchanges:				0.00				0.00	0.00	0.00
		Net for: Buildings				618,539.03		0.00	0.00	441,945.78	28,673.22	470,619.00
Land and Land Improvements												
1		CHANCELLAR I	1/1/1956	No Calc / N/A	7.0000	3,120.00	100.0000	0.00	0.00	0.00	0.00	0.00
2		HALL LAND	1/1/1966	No Calc / N/A	0.0000	2,455.00	100.0000	0.00	0.00	0.00	0.00	0.00
3		CLAIRBURNE L	1/1/1967	No Calc / N/A	0.0000	25,028.00	100.0000	0.00	0.00	0.00	0.00	0.00
4		WYCO LAND	1/1/1967	No Calc / N/A	0.0000	15,000.00	100.0000	0.00	0.00	0.00	0.00	0.00
5		BUILDING LANI	1/1/1971	No Calc / N/A	0.0000	4,000.00	100.0000	0.00	0.00	0.00	0.00	0.00
8		LRLS PROPERTY	4/15/1986	No Calc / N/A	0.0000	5,140.00	100.0000	0.00	0.00	0.00	0.00	0.00
6		R-OF-WAY/DAT/	9/1/1987	No Calc / N/A	0.0000	2,124.00	100.0000	0.00	0.00	0.00	0.00	0.00
250		Perimeter Fencil	10/12/2005	SL / N/A	5.0000	29,765.00	100.0000	0.00	0.00	29,765.00	0.00	29,765.00
		Subtotal: Land and Land Improvements				86,632.00		0.00	0.00	29,765.00	0.00	29,765.00
		Less dispositions and exchanges:				0.00				0.00	0.00	0.00
		Net for: Land and Land Improvements				86,632.00		0.00	0.00	29,765.00	0.00	29,765.00
Machinery and Other Equipment												
114		SKID LOADER	12/31/1998	SL / N/A	7.0000	14,701.00	100.0000	0.00	0.00	14,701.00	0.00	14,701.00
116		GENERATOR	10/1/1999	SL / N/A	7.0000	3,335.00	100.0000	0.00	0.00	3,335.00	0.00	3,335.00
143		AUTOLIFT	4/26/2000	SL / N/A	5.0000	2,795.00	100.0000	0.00	0.00	2,795.00	0.00	2,795.00
145		VACCON TRUC	5/1/2000	SL / N/A	10.0000	170,035.00	100.0000	0.00	0.00	170,035.00	0.00	170,035.00
150		AIR COMPRES	10/1/2000	SL / N/A	7.0000	12,776.00	100.0000	0.00	0.00	12,776.00	0.00	12,776.00
151		TRAILER	11/1/2000	SL / N/A	5.0000	2,495.00	100.0000	0.00	0.00	2,495.00	0.00	2,495.00
152		GENERATOR	11/22/2000	SL / N/A	7.0000	15,385.00	100.0000	0.00	0.00	15,385.00	0.00	15,385.00
168		TRAILER	7/1/2001	SL / N/A	5.0000	1,635.00	100.0000	0.00	0.00	1,635.00	0.00	1,635.00
171		EXPLORER SUV	9/28/2001	SL / N/A	5.0000	18,000.00	100.0000	0.00	0.00	18,000.00	0.00	18,000.00
165		RIP CORD	10/1/2001	SL / N/A	5.0000	1,420.00	100.0000	0.00	0.00	1,420.00	0.00	1,420.00
63		TRUCK WINCH	2/1/2002	SL / N/A	5.0000	2,299.98	100.0000	0.00	0.00	2,299.98	0.00	2,299.98

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System No.	S	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Bus./Inv. %	Sec. 179/ Bonus	Salvage/ Basis Adj.	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
Machinery and Other Equipment												
83		AUGER FOR SK	7/1/2002	SL / N/A	5.0000	1,519.00	100.0000	0.00	0.00	1,519.00	0.00	1,519.00
200		Loader John De	1/1/2003	SL / N/A	5.0000	5,085.00	100.0000	0.00	0.00	5,085.00	0.00	5,085.00
210		Conference Roo	2/1/2003	SL / N/A	7.0000	758.45	100.0000	0.00	0.00	758.45	0.00	758.45
204		1500 Lb Crane	4/1/2003	SL / N/A	5.0000	1,496.80	100.0000	0.00	0.00	1,496.80	0.00	1,496.80
240		2004 F250 Ford	3/1/2004	SL / N/A	5.0000	21,028.00	100.0000	0.00	0.00	21,028.00	0.00	21,028.00
224		Skid Steer Load	7/1/2004	SL / N/A	5.0000	26,657.62	100.0000	0.00	0.00	26,657.62	0.00	26,657.62
219		Leveler/Surveyo	9/16/2004	SL / N/A	5.0000	6,197.61	100.0000	0.00	0.00	6,197.61	0.00	6,197.61
252		Power Washer	2/9/2005	SL / N/A	5.0000	7,000.00	100.0000	0.00	0.00	7,000.00	0.00	7,000.00
246		TV Van	7/13/2005	SL / N/A	5.0000	113,268.00	100.0000	0.00	0.00	113,268.00	0.00	113,268.00
277		Tig Welder	4/12/2006	SL / N/A	5.0000	1,672.63	100.0000	0.00	0.00	1,672.63	0.00	1,672.63
273		Chopper Pump	1/18/2006	SL / N/A	20.0000	12,350.00	100.0000	0.00	0.00	6,895.42	617.50	7,512.92
274	D	Water Tank	12/13/2006	SL / N/A	20.0000	1,200.00	100.0000	0.00	0.00	665.00	60.00	725.00
303		2007 Ford Truck	1/10/2007	SL / N/A	5.0000	25,277.70	100.0000	0.00	0.00	25,277.70	0.00	25,277.70
304		Lift Station Vau	2/13/2007	SL / N/A	5.0000	12,960.15	100.0000	0.00	0.00	12,960.15	0.00	12,960.15
309		Trailer Respons	3/12/2007	SL / N/A	5.0000	12,392.00	100.0000	0.00	0.00	12,392.00	0.00	12,392.00
312		Blower - HIS 82	7/11/2007	SL / N/A	5.0000	41,437.50	100.0000	0.00	0.00	41,437.50	0.00	41,437.50
306		2008 Ford Truck	12/31/2007	SL / N/A	5.0000	25,000.00	100.0000	0.00	0.00	25,000.00	0.00	25,000.00
333		2011 Ford F.25C	12/31/2010	SL / N/A	5.0000	31,219.00	100.0000	0.00	0.00	31,219.00	0.00	31,219.00
334	D	2010 Ford Fusio	12/31/2010	SL / N/A	5.0000	25,700.00	100.0000	0.00	0.00	25,700.00	0.00	25,700.00
337		Vac-Con Truck	12/31/2011	SL / N/A	5.0000	284,667.00	100.0000	0.00	0.00	284,667.00	0.00	284,667.00
338		Fisher Scientific	12/31/2011	SL / N/A	5.0000	3,323.38	100.0000	0.00	0.00	3,323.38	0.00	3,323.38
339		IDEXX Laborato	12/31/2011	SL / N/A	5.0000	5,227.22	100.0000	0.00	0.00	5,227.22	0.00	5,227.22
344		Equipment (Bob	12/31/2012	SL / N/A	5.0000	2,598.75	100.0000	0.00	0.00	2,598.75	0.00	2,598.75
345		Equipment (Hew	12/31/2012	SL / N/A	5.0000	4,507.09	100.0000	0.00	0.00	4,507.09	0.00	4,507.09
347		Transfer Equipm	12/31/2012	SL / N/A	20.0000	-597,999.55	100.0000	0.00	0.00	-597,999.55	0.00	-597,999.55
352		Rotary Trimmer	1/9/2013	SL / N/A	5.0000	1,151.67	100.0000	0.00	0.00	1,151.67	0.00	1,151.67
353		DWS - Equipme	2/13/2013	SL / N/A	20.0000	22,567.37	100.0000	0.00	0.00	5,547.82	1,128.37	6,676.19
351		APC Smart - UP	6/12/2013	SL / N/A	5.0000	2,441.00	100.0000	0.00	0.00	2,237.58	203.42	2,441.00
350	D	2014 Ford Expic	9/16/2013	SL / N/A	5.0000	26,913.00	100.0000	0.00	0.00	22,876.05	2,691.30	25,567.35
355		Deck Mower	9/17/2013	SL / N/A	5.0000	6,734.00	100.0000	0.00	0.00	5,723.90	1,010.10	6,734.00
358		Pump Technolo	11/21/2013	SL / N/A	20.0000	6,989.08	100.0000	0.00	0.00	1,426.92	349.45	1,776.37
354		Spectrophotom	12/11/2013	SL / N/A	5.0000	3,361.75	100.0000	0.00	0.00	2,745.43	616.32	3,361.75
371		ESRI Inc Inv 27	12/31/2014	SL / N/A	5.0000	1,350.00	100.0000	0.00	0.00	810.00	270.00	1,080.00
376		Steel tractor	12/31/2014	SL / N/A	5.0000	1,886.00	100.0000	0.00	0.00	1,131.60	377.20	1,508.80
377		PH Meter	12/31/2014	SL / N/A	5.0000	1,428.14	100.0000	0.00	0.00	856.89	285.63	1,142.52
378	D	Laptop for Jim	12/31/2014	SL / N/A	5.0000	1,438.89	100.0000	0.00	0.00	863.34	287.78	1,151.12
382		2009 GMC Cam	12/31/2015	SL / N/A	5.0000	25,710.88	100.0000	0.00	0.00	10,284.36	5,142.18	15,426.54
396		Wagner Rents #	12/31/2015	SL / N/A	5.0000	14,400.00	100.0000	0.00	0.00	5,760.00	2,880.00	8,640.00
397		Falcon Environm	12/31/2015	SL / N/A	5.0000	8,603.64	100.0000	0.00	0.00	3,441.46	1,720.73	5,162.19
398		IDEXX Laborato	12/31/2015	SL / N/A	5.0000	4,100.00	100.0000	0.00	0.00	1,640.00	820.00	2,460.00
389	D	Rain Guages, ex	12/31/2016	SL / N/A	5.0000	1,130.40	100.0000	0.00	0.00	226.08	226.08	452.16
392		HACH COMPAN	12/31/2016	SL / N/A	5.0000	4,621.10	100.0000	0.00	0.00	924.22	924.22	1,848.44
393		Kyocera Copier	12/31/2016	SL / N/A	5.0000	8,970.00	100.0000	0.00	0.00	1,794.00	1,794.00	3,588.00
399		Hixon, Inc.	12/31/2016	SL / N/A	5.0000	4,250.00	100.0000	0.00	0.00	850.00	850.00	1,700.00
400		Source One Env	12/31/2016	SL / N/A	5.0000	2,948.98	100.0000	0.00	0.00	589.80	589.80	1,179.60
402		GMS	12/31/2016	SL / N/A	5.0000	11,061.50	100.0000	0.00	0.00	2,212.30	2,212.30	4,424.60

FOUNTAIN SANITATION DISTRICT [20217]
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System No.	S	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Bus./Inv. %	Sec. 179/ Bonus	Salvage/ Basis Adj.	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
Machinery and Other Equipment												
405		Admin. Impr. / E	12/31/2017	SL / N/A	5.0000	75,618.34	100.0000	0.00	0.00	0.00	15,123.67	15,123.67
410		Server	1/10/2018	SL / N/A	3.0000	5,694.57	100.0000	0.00	0.00	0.00	1,898.19	1,898.19
415		Dawson - Camel	1/10/2018	SL / N/A	5.0000	639.00	100.0000	0.00	0.00	0.00	127.80	127.80
411		HP Designjet Ph	2/15/2018	SL / N/A	5.0000	4,398.42	100.0000	0.00	0.00	0.00	733.07	733.07
413		2018 Ford F150	4/11/2018	SL / N/A	5.0000	10,205.50	100.0000	0.00	0.00	0.00	1,530.82	1,530.82
366		2018 Ford Explc	7/11/2018	SL / N/A	5.0000	39,796.00	100.0000	0.00	0.00	0.00	3,979.60	3,979.60
379		2018 Ford Escal	7/11/2018	SL / N/A	5.0000	24,898.00	100.0000	0.00	0.00	0.00	2,489.80	2,489.80
417		Girt Classifier	8/8/2018	SL / N/A	5.0000	50,533.00	100.0000	0.00	0.00	0.00	4,211.08	4,211.08
419		BOD Meter	11/6/2018	SL / N/A	5.0000	2,642.68	100.0000	0.00	0.00	0.00	88.09	88.09
420		Muffle Furnace	11/6/2018	SL / N/A	5.0000	2,993.95	100.0000	0.00	0.00	0.00	99.80	99.80
		Subtotal: Machinery and Other Equipment				698,997.19		0.00	0.00	386,524.17	55,338.30	441,862.47
		Less dispositions and exchanges:				74,382.29		0.00	0.00	68,330.47	0.00	71,595.63
		Net for: Machinery and Other Equipment				624,514.90		0.00	0.00	318,193.70	55,338.30	370,266.84
Sewer Lines and Lagoons												
24		SEWER IMPROV	1/1/1972	SL / N/A	50.0000	185,218.00	100.0000	0.00	0.00	170,400.56	3,704.36	174,104.92
25		SEWER LINE II	1/1/1973	SL / N/A	50.0000	182,364.00	100.0000	0.00	0.00	164,127.60	3,647.28	167,774.88
26		SEWER LINE	1/1/1974	SL / N/A	20.0000	6,033.00	100.0000	0.00	0.00	6,033.00	0.00	6,033.00
22		RIP RAP	1/1/1975	SL / N/A	50.0000	2,534.00	100.0000	0.00	0.00	2,179.24	50.68	2,229.92
28		RIP RAP	1/1/1979	SL / N/A	50.0000	6,512.00	100.0000	0.00	0.00	5,079.36	130.24	5,209.60
29		LINE, LIFT STAT	1/1/1981	SL / N/A	20.0000	102,453.00	100.0000	0.00	0.00	102,453.00	0.00	102,453.00
30		RANCHES SYS	1/1/1984	SL / N/A	30.0000	40,000.00	100.0000	0.00	0.00	39,999.90	0.00	39,999.90
33		NEW LINES	1/1/1986	SL / N/A	50.0000	4,307.00	100.0000	0.00	0.00	2,756.48	86.14	2,842.62
34		LITTLE RANCHI	6/1/1987	SL / N/A	20.0000	198,382.00	100.0000	0.00	0.00	198,382.00	0.00	198,382.00
35		MANHOLE REP	9/1/1987	SL / N/A	20.0000	55,233.00	100.0000	0.00	0.00	55,233.00	0.00	55,233.00
36		MESA ROAD LII	11/15/1987	SL / N/A	50.0000	172,039.00	100.0000	0.00	0.00	103,796.86	3,440.78	107,237.64
37		MESA, DATA, G	7/1/1988	SL / N/A	50.0000	104,984.00	100.0000	0.00	0.00	61,940.56	2,099.68	64,040.24
39		MANHOLE, REC	7/1/1989	SL / N/A	20.0000	83,935.00	100.0000	0.00	0.00	83,935.00	0.00	83,935.00
41		RECIRC POND,	7/1/1990	SL / N/A	50.0000	160,846.00	100.0000	0.00	0.00	88,465.30	3,216.92	91,682.22
103		SEWER MAIN-C	12/12/1995	SL / N/A	50.0000	6,786.00	100.0000	0.00	0.00	2,997.15	135.72	3,132.87
104		SEWER MAIN-C	12/12/1995	SL / N/A	50.0000	66,100.00	100.0000	0.00	0.00	29,194.17	1,322.00	30,516.17
105		SEWER MAIN-H	12/12/1995	SL / N/A	50.0000	71,579.00	100.0000	0.00	0.00	31,614.06	1,431.58	33,045.64
101		MCGARVEY LIN	10/11/1996	SL / N/A	50.0000	14,434.00	100.0000	0.00	0.00	6,134.45	288.68	6,423.13
111		SEWER MAIN-C	1/8/1997	SL / N/A	50.0000	97,130.00	100.0000	0.00	0.00	40,794.60	1,942.60	42,737.20
110		SEWER MAIN-H	5/14/1997	SL / N/A	50.0000	46,464.00	100.0000	0.00	0.00	19,205.12	929.28	20,134.40
112		SEWER MAIN-C	9/10/1997	SL / N/A	50.0000	68,904.00	100.0000	0.00	0.00	28,020.96	1,378.08	29,399.04
113		SEWER LINE	9/1/1998	SL / N/A	50.0000	18,134.00	100.0000	0.00	0.00	7,011.81	362.68	7,374.49
120		DRYING BED S'	4/1/1999	SL / N/A	20.0000	147,537.00	100.0000	0.00	0.00	138,315.94	7,376.85	145,692.79
126		SEWER MAIN - I	6/15/1999	SL / N/A	50.0000	33,053.00	100.0000	0.00	0.00	12,284.70	661.06	12,945.76
127		SEWER MAIN - I	6/15/1999	SL / N/A	50.0000	39,225.00	100.0000	0.00	0.00	14,578.62	784.50	15,363.12
128		SEWER MAIN - I	6/15/1999	SL / N/A	50.0000	47,850.00	100.0000	0.00	0.00	17,784.25	957.00	18,741.25
153		COUNTRYSIDE	5/11/2000	SL / N/A	50.0000	196,046.00	100.0000	0.00	0.00	69,269.59	3,920.92	73,190.51
134		REPAIR ON LIN	6/1/2000	SL / N/A	50.0000	55,041.00	100.0000	0.00	0.00	19,356.08	1,100.82	20,456.90
135		LRLS PUMPS F	10/1/2000	SL / N/A	10.0000	20,981.00	100.0000	0.00	0.00	20,981.00	0.00	20,981.00
175		LRLS LIFT STA1	3/15/2001	SL / N/A	10.0000	591,662.00	100.0000	0.00	0.00	591,662.00	0.00	591,662.00

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System No.	S	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Bus / Inv. %	Sec. 179/ Bonus	Salvage/ Basis Adj.	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
FSD												
		Sewer Lines and Lagoons										
181		COMANCHE JU	8/8/2001	SL / N/A	50.0000	23,719.00	100.0000	0.00	0.00	7,787.74	474.38	8,262.12
184		HERITAGE FILIN	8/8/2001	SL / N/A	50.0000	37,137.00	100.0000	0.00	0.00	12,193.32	742.74	12,936.06
186		COUNTRY CRO	8/8/2001	SL / N/A	50.0000	150,364.00	100.0000	0.00	0.00	49,369.51	3,007.28	52,376.79
185		CHAMPLIN DR/	8/12/2001	SL / N/A	50.0000	21,800.00	100.0000	0.00	0.00	7,157.67	436.00	7,593.67
179		CAMINO DEL R	9/1/2001	SL / N/A	10.0000	7,371.00	100.0000	0.00	0.00	7,371.00	0.00	7,371.00
183		MANHOLE IMPI	10/15/2001	SL / N/A	20.0000	49,348.00	100.0000	0.00	0.00	40,095.25	2,467.40	42,562.65
187		HERITAGE FILIN	7/1/2002	SL / N/A	50.0000	61,045.00	100.0000	0.00	0.00	18,923.95	1,220.90	20,144.85
188		LANDHUIS SUE	7/1/2002	SL / N/A	50.0000	44,955.00	100.0000	0.00	0.00	13,936.05	899.10	14,835.15
189		FOUNTAIN RIDX	7/1/2002	SL / N/A	50.0000	111,732.00	100.0000	0.00	0.00	34,636.92	2,234.64	36,871.56
138		MANHOLE REH	9/27/2002	SL / N/A	20.0000	24,525.25	100.0000	0.00	0.00	18,700.47	1,226.26	19,926.73
154		FTN. MESA RD	11/13/2002	SL / N/A	50.0000	54,790.75	100.0000	0.00	0.00	16,619.94	1,095.82	17,715.76
155		MANHOLE REH	12/20/2002	SL / N/A	20.0000	14,516.36	100.0000	0.00	0.00	10,887.30	725.82	11,613.12
216		Valli Farms Sewi	5/1/2003	SL / N/A	50.0000	44,976.13	100.0000	0.00	0.00	13,192.96	899.52	14,092.48
215		Sewer Line Reht	6/30/2003	SL / N/A	50.0000	16,608.97	100.0000	0.00	0.00	4,816.61	332.18	5,148.79
212		Heritage Filling #	7/1/2003	SL / N/A	50.0000	79,866.00	100.0000	0.00	0.00	23,161.14	1,597.32	24,758.46
213		CountrySide We	7/1/2003	SL / N/A	50.0000	158,188.80	100.0000	0.00	0.00	45,874.81	3,163.78	49,038.59
196		Missouri Street I	11/15/2003	SL / N/A	50.0000	60,472.87	100.0000	0.00	0.00	17,134.02	1,209.46	18,343.48
221		Jimmy Camp Cr	12/31/2004	SL / N/A	50.0000	370,549.75	100.0000	0.00	0.00	96,343.00	7,411.00	103,754.00
236		Construction in	12/31/2004	No Calc / N/A	0.0000	9,309.57	100.0000	0.00	0.00	0.00	0.00	0.00
242		Jimmy Camp Cr	2/9/2005	SL / N/A	50.0000	5,575.25	100.0000	0.00	0.00	1,440.34	111.51	1,551.85
259		10" PVC Sewer	2/9/2005	SL / N/A	50.0000	14,814.00	100.0000	0.00	0.00	3,826.95	296.28	4,123.23
260		8" PVC Sewer N	2/9/2005	SL / N/A	50.0000	20,220.00	100.0000	0.00	0.00	5,223.50	404.40	5,627.90
261		8" PVC Sewer N	2/9/2005	SL / N/A	50.0000	98,306.00	100.0000	0.00	0.00	25,395.72	1,966.12	27,361.84
243		Missouri Sewer	9/1/2005	SL / N/A	50.0000	298,274.75	100.0000	0.00	0.00	73,574.50	5,965.50	79,540.00
292		8" PVC sANITAI	2/9/2006	SL / N/A	50.0000	30,030.00	100.0000	0.00	0.00	7,157.15	600.60	7,757.75
293		Manhole, compl	2/9/2006	SL / N/A	50.0000	7,300.00	100.0000	0.00	0.00	1,739.83	146.00	1,885.83
294		1450 LF of 8" M	2/9/2006	SL / N/A	50.0000	23,200.00	100.0000	0.00	0.00	5,529.33	464.00	5,993.33
295		7 48" Manholes	2/9/2006	SL / N/A	50.0000	13,300.00	100.0000	0.00	0.00	3,169.83	266.00	3,435.83
296		Standard Manht	2/9/2006	SL / N/A	50.0000	10,480.00	100.0000	0.00	0.00	2,497.73	209.60	2,707.33
297		8" Narity Sew	2/9/2006	SL / N/A	50.0000	83,160.00	100.0000	0.00	0.00	19,819.80	1,663.20	21,483.00
298		Sanitary Manhol	2/9/2006	SL / N/A	50.0000	18,000.00	100.0000	0.00	0.00	4,290.00	360.00	4,650.00
299		8" SDR35 PVC-1	2/9/2006	SL / N/A	50.0000	61,600.00	100.0000	0.00	0.00	14,681.33	1,232.00	15,913.33
300		8" 3 Bend	2/9/2006	SL / N/A	50.0000	1,550.00	100.0000	0.00	0.00	369.42	31.00	400.42
301		4' Manhole to 1'	2/9/2006	SL / N/A	50.0000	25,300.00	100.0000	0.00	0.00	6,029.83	506.00	6,535.83
302		5' Manhole to 1'	2/9/2006	SL / N/A	50.0000	5,200.00	100.0000	0.00	0.00	1,239.33	104.00	1,343.33
287		Highway 85 Out	5/10/2006	SL / N/A	50.0000	110.00	100.0000	0.00	0.00	25.67	2.20	27.87
288		Highway 85 Out	8/9/2006	SL / N/A	50.0000	555.90	100.0000	0.00	0.00	126.95	11.12	138.07
289		Highway 85 Out	9/13/2006	SL / N/A	50.0000	1,217.80	100.0000	0.00	0.00	276.08	24.36	300.44
290		Highway 85 Out	10/11/2006	SL / N/A	50.0000	408.86	100.0000	0.00	0.00	92.03	8.18	100.21
291		Highway 85 Out	12/13/2006	SL / N/A	50.0000	294.69	100.0000	0.00	0.00	65.28	5.89	71.17
271		Rehabilitation 8'	12/19/2006	SL / N/A	50.0000	69,813.30	100.0000	0.00	0.00	15,358.97	1,396.27	16,755.24
308		Donated Sewer	12/31/2007	SL / N/A	50.0000	526,666.00	100.0000	0.00	0.00	105,333.20	10,533.32	115,866.52
313		Engineering	12/31/2007	SL / N/A	50.0000	161,447.21	100.0000	0.00	0.00	32,289.40	3,228.94	35,518.34
311		Engineering	12/31/2008	SL / N/A	50.0000	204,650.96	100.0000	0.00	0.00	36,837.18	4,093.02	40,930.20
325		Sewer Lines anc	12/31/2008	SL / N/A	50.0000	26,341.64	100.0000	0.00	0.00	4,741.47	526.83	5,268.30
387		Donated Sewer	12/31/2008	SL / N/A	50.0000	334,137.28	100.0000	0.00	0.00	60,144.75	6,682.75	66,827.50
327		Engineering	12/31/2009	SL / N/A	50.0000	119,663.14	100.0000	0.00	0.00	19,146.08	2,393.26	21,539.34

FOUNTAIN SANITATION DISTRICT [20217]
Depreciation Expense

01/01/2018 - 12/31/2018

System No.	S	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Bus / Inv. %	Sec. 179 / Bonus	Salvage / Basis Adj.	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
Sewer Lines and Lagoons												
329		Sewer Lines Col	12/31/2009	SL / N/A	50.0000	237,962.00	100.0000	0.00	0.00	38,073.92	4,759.24	42,833.16
331		Engineering	12/31/2010	SL / N/A	50.0000	133,488.26	100.0000	0.00	0.00	18,685.59	2,669.37	21,354.96
335		Engineering	12/31/2011	SL / N/A	50.0000	28,693.74	100.0000	0.00	0.00	3,443.22	573.87	4,017.09
341		Concrete	12/31/2012	SL / N/A	50.0000	8,086.00	100.0000	0.00	0.00	808.60	161.72	970.32
346		Transfer Sewer I	12/31/2012	SL / N/A	50.0000	-3,779,175.70	100.0000	0.00	0.00	-1,640,558.76	-75,583.51	-1,716,142.27
359		Quality Pipe Ser	6/12/2013	SL / N/A	20.0000	1,688.72	100.0000	0.00	0.00	382.43	83.44	465.87
362		Quality Pipe Ser	7/10/2013	SL / N/A	20.0000	14,131.92	100.0000	0.00	0.00	3,179.70	706.60	3,886.30
363		Insituform Techr	12/5/2013	SL / N/A	20.0000	17,198.28	100.0000	0.00	0.00	3,511.30	859.91	4,371.21
367		Donated Sewer	12/31/2013	SL / N/A	50.0000	800,745.92	100.0000	0.00	0.00	64,059.68	16,014.92	80,074.60
368		WBE Dorcas Inv	12/31/2014	SL / N/A	20.0000	2,008.01	100.0000	0.00	0.00	301.20	100.40	401.60
380		Beckett Pipeline	12/31/2015	SL / N/A	20.0000	101,332.10	100.0000	0.00	0.00	10,133.20	5,066.60	15,199.80
381		System Renewa	12/31/2016	SL / N/A	20.0000	444,200.64	100.0000	0.00	0.00	22,210.03	22,210.03	44,420.06
394		Sewer Lines Col	12/31/2016	SL / N/A	20.0000	27,380.34	100.0000	0.00	0.00	1,369.02	1,369.02	2,738.04
324		Sewer Lines	12/31/2017	SL / N/A	20.0000	188,141.27	100.0000	0.00	0.00	0.00	9,407.06	9,407.06
409		Sewer Lines	12/31/2018	SL / N/A	20.0000	20,781.16	100.0000	0.00	0.00	0.00	0.00	0.00
Subtotal: Sewer Lines and Lagoons						4,575,280.89	0.00	0.00	0.00	1,548,208.80	99,742.47	1,647,951.27
Less dispositions and exchanges:						0.00				0.00	0.00	0.00
Net for: Sewer Lines and Lagoons						4,575,280.89	0.00	0.00	0.00	1,548,208.80	99,742.47	1,647,951.27
Wastewater Treatment Plant												
123		10 YR EQUIP - V	4/16/1999	SL / N/A	10.0000	986,175.00	100.0000	0.00	0.00	986,175.00	0.00	986,175.00
124		20 YR EQUIP - V	4/16/1999	SL / N/A	20.0000	504,249.00	100.0000	0.00	0.00	470,632.40	25,212.45	495,844.85
125		40 YR BLDG - W	4/16/1999	SL / N/A	40.0000	2,839,372.00	100.0000	0.00	0.00	1,325,040.27	70,984.30	1,396,024.57
132		WATER TRANSI	4/26/2000	SL / N/A	20.0000	8,203.00	100.0000	0.00	0.00	7,245.98	410.15	7,656.13
146		MICROSCOPE	7/1/2000	SL / N/A	7.0000	11,555.00	100.0000	0.00	0.00	11,555.00	0.00	11,555.00
133		DUMP STATION	12/1/2000	SL / N/A	10.0000	9,000.00	100.0000	0.00	0.00	9,000.00	0.00	9,000.00
173		DUMP STATION	10/15/2001	SL / N/A	20.0000	41,973.00	100.0000	0.00	0.00	34,103.06	2,098.65	36,201.71
81		CONNEX STOR.	6/7/2002	SL / N/A	10.0000	2,600.00	100.0000	0.00	0.00	2,600.00	0.00	2,600.00
206		Boat	4/11/2003	SL / N/A	5.0000	1,705.50	100.0000	0.00	0.00	1,705.50	0.00	1,705.50
232		2005 Suzuki AT	3/1/2004	SL / N/A	5.0000	5,034.00	100.0000	0.00	0.00	5,034.00	0.00	5,034.00
233		Plug Valve	6/1/2004	SL / N/A	3.0000	3,395.00	100.0000	0.00	0.00	3,395.00	0.00	3,395.00
228		WWTF Improver	8/13/2004	SL / N/A	50.0000	23,034.00	100.0000	0.00	0.00	6,180.79	460.68	6,641.47
226		Gate, Fence anc	11/10/2004	SL / N/A	10.0000	8,583.33	100.0000	0.00	0.00	8,583.33	0.00	8,583.33
248		A-Basin Liner	6/1/2005	SL / N/A	20.0000	23,168.88	100.0000	0.00	0.00	14,577.04	1,158.44	15,735.48
251		Const. in Proce	12/31/2005	SL / N/A	20.0000	77,194.00	100.0000	0.00	0.00	46,316.40	3,859.70	50,176.10
272		Power Capacito	2/8/2006	SL / N/A	20.0000	3,662.00	100.0000	0.00	0.00	2,181.94	183.10	2,365.04
263		Ultraviolet Redi	4/12/2006	SL / N/A	20.0000	36,074.85	100.0000	0.00	0.00	21,193.95	1,803.74	22,997.69
280		Handheld DO M	9/13/2006	SL / N/A	5.0000	542.77	100.0000	0.00	0.00	542.77	0.00	542.77
281		Basins Hose	11/8/2006	SL / N/A	5.0000	1,296.74	100.0000	0.00	0.00	1,296.74	0.00	1,296.74
282		Vacuum Pump	12/13/2006	SL / N/A	5.0000	964.37	100.0000	0.00	0.00	964.37	0.00	964.37
307		Engineering	12/31/2007	SL / N/A	20.0000	195,119.75	100.0000	0.00	0.00	97,559.90	9,755.99	107,315.89
317		Engineering	12/31/2008	SL / N/A	20.0000	593,231.10	100.0000	0.00	0.00	266,954.04	29,661.56	296,615.60
328		Engineering	12/31/2009	SL / N/A	20.0000	176,050.69	100.0000	0.00	0.00	79,420.24	8,802.53	88,222.77
330		Engineering	12/31/2010	SL / N/A	20.0000	704,949.66	100.0000	0.00	0.00	251,304.51	35,247.48	286,551.99
342		Engineering	12/31/2012	SL / N/A	20.0000	21,794.67	100.0000	0.00	0.00	5,448.65	1,089.73	6,538.38

System No.	S	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Bus / Inv. %	Sec. 179/ Bonus	Salvage/ Basis Adj.	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
FSD												
Wastewater Treatment Plant												
343		Improvement an	12/31/2012	SL / N/A	20.0000	18,440.00	100.0000	0.00	0.00	4,610.00	922.00	5,532.00
365		Improvement an	12/31/2012	SL / N/A	20.0000	10,245.26	100.0000	0.00	0.00	2,561.30	512.26	3,073.56
372		Parkson Inv AR1	12/31/2014	SL / N/A	20.0000	38,586.60	100.0000	0.00	0.00	5,787.99	1,929.33	7,717.32
374		Timber line elect	12/31/2014	SL / N/A	20.0000	21,659.00	100.0000	0.00	0.00	3,248.85	1,082.95	4,331.80
375		Parkson Inv AR1	12/31/2014	SL / N/A	20.0000	4,287.40	100.0000	0.00	0.00	643.11	214.37	857.48
386		2015 Acct 6435	12/31/2015	SL / N/A	20.0000	10,564.56	100.0000	0.00	0.00	1,056.46	528.23	1,584.69
385	D	Roof at RJC Tre	12/31/2016	SL / N/A	20.0000	88,600.00	100.0000	0.00	0.00	4,430.00	4,430.00	8,860.00
388		Screw Press	12/31/2016	SL / N/A	10.0000	26,000.00	100.0000	0.00	0.00	2,600.00	2,600.00	5,200.00
404		Facility Renewal	12/31/2017	SL / N/A	20.0000	289,412.45	100.0000	0.00	0.00	0.00	14,470.62	14,470.62
		Subtotal: Wastewater Treatment Plant				6,786,723.58				3,674,948.59	217,418.26	3,892,366.85
		Less dispositions and exchanges:				88,600.00				4,430.00	0.00	8,860.00
		Net for: Wastewater Treatment Plant				6,698,123.58				3,670,518.59	217,418.26	3,883,506.85
		Subtotal: FSD				12,766,072.69				6,081,392.34	401,172.25	6,482,564.59
		Less dispositions and exchanges:				162,982.29				72,760.47	0.00	80,455.63
		Net for: FSD				12,603,090.40				6,008,631.87	401,172.25	6,402,108.96
JCC												
Machinery and Other Equipment												
349		Transfer Equipm	12/31/2012	SL / N/A	20.0000	597,999.55	100.0000	0.00	0.00	597,999.55	0.00	597,999.55
356		DWIS - Equipme	2/13/2013	SL / N/A	20.0000	28,214.30	100.0000	0.00	0.00	6,936.04	1,410.72	8,346.76
357		Pump Technolo	1/21/2013	SL / N/A	20.0000	8,737.92	100.0000	0.00	0.00	1,784.01	436.90	2,220.91
370		2013 Ford F-15C	12/31/2014	SL / N/A	5.0000	27,493.00	100.0000	0.00	0.00	16,495.80	5,498.60	21,994.40
373		ESRI Inc Inv 27c	12/31/2014	SL / N/A	5.0000	3,150.00	100.0000	0.00	0.00	1,890.00	630.00	2,520.00
383		2009 GMC Can1	12/31/2015	SL / N/A	5.0000	17,264.02	100.0000	0.00	0.00	6,905.60	3,452.80	10,358.40
395		1985 Ottawa Ya	12/31/2015	SL / N/A	5.0000	10,200.00	100.0000	0.00	0.00	4,080.00	2,040.00	6,120.00
403		2015 Acct 6435	12/31/2015	SL / N/A	5.0000	2,139.50	100.0000	0.00	0.00	855.80	427.90	1,283.70
390		Rain Guages, ex	12/31/2016	SL / N/A	5.0000	1,764.10	100.0000	0.00	0.00	352.82	352.82	705.64
391		2016 Ford F-15C	12/31/2016	SL / N/A	5.0000	29,315.00	100.0000	0.00	0.00	5,863.00	5,863.00	11,726.00
401		Source One Env	12/31/2016	SL / N/A	5.0000	5,242.62	100.0000	0.00	0.00	1,048.52	1,048.52	2,097.04
407		Admin. Impr. / E	12/31/2017	SL / N/A	5.0000	25,501.59	100.0000	0.00	0.00	0.00	5,100.32	5,100.32
412		Server	1/10/2018	SL / N/A	3.0000	1,544.29	100.0000	0.00	0.00	0.00	514.76	514.76
416		Dawson - Camel	1/10/2018	SL / N/A	5.0000	1,136.00	100.0000	0.00	0.00	0.00	227.20	227.20
414		2018 Ford F150	4/11/2018	SL / N/A	5.0000	18,143.12	100.0000	0.00	0.00	0.00	2,721.47	2,721.47
		Subtotal: Machinery and Other Equipment				777,845.01				644,211.14	29,725.01	673,936.15
		Less dispositions and exchanges:				0.00				0.00	0.00	0.00
		Net for: Machinery and Other Equipment				777,845.01				644,211.14	29,725.01	673,936.15
Sewer Lines and Lagoons												
348		Transfer Sewer l	12/31/2012	SL / N/A	50.0000	3,779,175.70	100.0000	0.00	0.00	1,927,916.79	75,583.51	2,003,500.30
360		Quality Pipe Ser	6/12/2013	SL / N/A	20.0000	2,086.28	100.0000	0.00	0.00	478.09	104.31	582.40
361		Quality Pipe Ser	7/10/2013	SL / N/A	20.0000	17,668.08	100.0000	0.00	0.00	3,975.30	883.40	4,858.70
364		Insituform Techr	12/5/2013	SL / N/A	20.0000	21,501.72	100.0000	0.00	0.00	4,389.95	1,075.09	5,465.04
369		WBE Dorcas Inv	12/31/2014	SL / N/A	20.0000	860.58	100.0000	0.00	0.00	129.09	43.03	172.12
384		System Renewa	12/31/2016	SL / N/A	20.0000	51,968.94	100.0000	0.00	0.00	2,598.45	2,598.45	5,196.90

FOUNTAIN SANITATION DISTRICT [20217]
Depreciation Expense
Financial

01/01/2018 - 12/31/2018

System No.	S	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Bus./ Inv. %	Sec. 179/ Bonus	Salvage/ Basis Adj.	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
JCC												
Sewer Lines and Lagoons												
406		Sewer Lines	12/31/2017	SL / N/A	20.0000	4,850.56	100.0000	0.00	0.00	0.00	242.53	242.53
408		Sewer Lines Coi	12/31/2017	SL / N/A	20.0000	679,709.00	100.0000	0.00	0.00	0.00	33,985.45	33,985.45
418		Sewer Lines	12/31/2018	SL / N/A	20.0000	176.58	100.0000	0.00	0.00	0.00	0.00	0.00
421		Sewer Lines (Co	12/31/2018	SL / N/A	20.0000	407,849.02	100.0000	0.00	0.00	0.00	0.00	0.00
		Subtotal: Sewer Lines and Lagoons				4,965,846.46		0.00	0.00	1,939,487.67	114,515.77	2,054,003.44
		Less dispositions and exchanges:				0.00				0.00	0.00	0.00
		Net for: Sewer Lines and Lagoons				4,965,846.46		0.00	0.00	1,939,487.67	114,515.77	2,054,003.44
		Subtotal: JCC				5,743,691.47		0.00	0.00	2,583,698.81	144,240.78	2,727,939.59
		Less dispositions and exchanges:				0.00				0.00	0.00	0.00
		Net for: JCC				5,743,691.47		0.00	0.00	2,583,698.81	144,240.78	2,727,939.59
		Subtotal:				18,509,764.16		0.00	0.00	8,665,091.15	545,413.03	9,210,504.18
		Less dispositions and exchanges:				162,982.29				72,760.47	0.00	80,455.63
		Grand Totals:				18,346,781.87		0.00	0.00	8,592,330.68	545,413.03	9,130,048.55

FOUNTAIN SANITATION DISTRICT [20217]
Disposition Report
Federal

01/01/2018 - 12/31/2018

Business % Applied to Depreciation

System No.	Description	Date In Service	Date Disposed	Unadjusted Basis	YTD Accum./ CR Ded.	Adjusted Basis	Gross Proceeds	Recognized Gain (Loss)	Ordinary Gain (Loss)	Capital Gain (Loss)	Total Gain (Loss)
Other Depr #1 - Other Depreciation											
171	EXPLORER SUV	9/28/2001	12/31/2018	18,000.00	18,000.00	0.00	0.00	0.00	0.00	0.00	0.00
274	Water Tank	12/13/2006	12/31/2018	1,200.00	725.00	475.00	0.00	-475.00	-475.00	0.00	-475.00
334	2010 Ford Fusion Pass	12/31/2010	7/26/2018	25,700.00	25,700.00	0.00	10,550.00	10,550.00	10,550.00	0.00	10,550.00
350	2014 Ford Explorer	9/16/2013	7/6/2018	26,913.00	25,567.35	1,345.65	22,925.00	21,579.35	21,579.35	0.00	21,579.35
378	Laptop for Jim	12/31/2014	12/31/2018	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
385	Roof at RJC Treatment	12/31/2016	12/31/2018	88,600.00	72,186.85	16,413.15	0.00	-16,413.15	-16,413.15	0.00	-16,413.15
389	Rain Guages. ext. - 36%	12/31/2016	12/31/2018	1,130.40	921.00	209.40	0.00	-209.40	-209.40	0.00	-209.40
Subtotal: Other Depr #1 - Other Depreciation				161,543.40	143,100.20	18,443.20	33,475.00	15,031.80	15,031.80	0.00	15,031.80
Grand Totals:				161,543.40	143,100.20	18,443.20	33,475.00	15,031.80	15,031.80	0.00	15,031.80

**APPENDIX E - FOUNTAIN SANITATION DISTRICT WASTEWATER
COLLECTION SYSTEM AND OTHER ASSET
REPLACEMENT VALUES**

Fountain Sanitation District - FSD and JCC Enterprise

Current Fixed Asset Value and Depreciation
Values as of 12/31/2018 Balance Sheet

	Fountain Sanitation District-Government		Jimmy Camp Creek Enterprise		Total All FSD Assets	
	Cost/Depreciable Basis	Depreciation Booked to Date	Remaining Book Value at 12/31/2018	Cost/Depreciable Basis	Depreciation Booked to Date	Remaining Book Value at 12/31/2018
Buildings	\$ 618,539	\$ 470,619	\$ 147,920	\$ -	\$ -	\$ 147,920
Land & Land Improvements	\$ 86,632	\$ 29,765	\$ 56,867	\$ -	\$ -	\$ 56,867
Machinery & Other Equipment	\$ 624,515	\$ 370,267	\$ 254,248	\$ 777,845	\$ 673,936	\$ 103,909
Sewer Lines & Lagoons	\$ 4,575,281	\$ 1,647,951	\$ 2,927,330	\$ 4,965,846	\$ 2,054,003	\$ 2,911,843
RJC2 Wastewater Treatment Facility	\$ 6,698,124	\$ 3,883,507	\$ 2,814,617	\$ -	\$ -	\$ 2,814,617
LFMSDD Land - 75% of Total	\$ -	\$ -	\$ -	\$ 218,531	\$ -	\$ 218,531
LFMSDD Interceptor & Appurtenances-75%	\$ -	\$ -	\$ -	\$ 6,076,083	\$ 476,368	\$ 5,599,715
LFMSDD HDTRWRF w/TP Control Facility-75%	\$ -	\$ -	\$ -	\$ 26,163,239	\$ 2,667,204	\$ 23,496,035
LFMSDD Equipment	\$ -	\$ -	\$ -	\$ 15,000	\$ 5,000	\$ 10,000
	\$ 12,603,091	\$ 6,402,109	\$ 6,200,982	\$ 38,216,545	\$ 5,876,511	\$ 32,340,034

Total Current Asset Value

\$ 12,603,091	\$ 6,200,982	\$ 32,340,034	\$ 38,541,016
\$ 12,603,091	\$ 38,216,545	\$ 50,819,636	\$ 50,819,636

Remaining Useful Life, % of Total, per Accounting = 75.8%
Expended Useful Life, % of Total, per Accounting = 24.2%

Fountain Sanitation District - FSD and JCC Enterprise

Depreciated Current Asset Replacement Value

Values as of 12/31/2018 With Added Assets Not Relected in Books

Total All FSD Assets

	Cost/Depreciable Basis	Depreciation Booked to Date	Remaining Book Value at 12/31/2018	Estimated Cost to Replace	Current Value of Replacement Less Remaining Book Value
Buildings	\$ 618,539	\$ 470,619	\$ 147,920	\$ 6,750,073	\$ 6,602,153
Land & Land Improvements	\$ 86,632	\$ 29,765	\$ 56,867	\$ 331,867	\$ 275,000
Machinery & Other Equipment	\$ 1,402,360	\$ 1,044,203	\$ 358,157	\$ 1,823,068	\$ 1,464,911
Sewer Lines & Lagoons	\$ 9,541,127	\$ 3,701,954	\$ 5,839,173	\$ 17,651,085	\$ 11,811,912
RJC2 Wastewater Treatment Facility	\$ 6,698,124	\$ 3,883,507	\$ 2,814,617	\$ 19,050,000	\$ 16,235,383
LFMSDD Land - 75% of Total	\$ 218,531	\$ -	\$ 218,531	\$ 218,531	\$ 218,531
LFMSDD Interceptor & Appurtenances-75%	\$ 6,076,083	\$ 476,368	\$ 5,599,715	\$ 8,202,712	\$ 2,602,997
LFMSDD HDTRWRF w/TP Control Facility-75%	\$ 26,163,239	\$ 2,667,204	\$ 23,496,035	\$ 35,012,316	\$ 11,516,281
LFMSDD Equipment	\$ 15,000	\$ 5,000	\$ 10,000	\$ 20,000	\$ 10,000
Infrastructure Assets NOT In Current Accounting				\$ 19,427,757	\$ 4,856,939

Remaining Useful Life, % of Total, per Accounting = 75.8%

Expended Useful Life, % of Total, per Accounting = 24.2%

	Collection & Transmission	Treatment	Administration
Capital Improvement Projects 2020-2029; Table IV-1	\$ 1,522,500	\$ 5,490,000	\$ 95,500
RJCII Major Wastewater Treatment Process Improvements; 2025-2035; Reg 31 WQBEL; Denitrification; TN and TP		\$ 20,988,000	
HDTRWRF Major Wastewater Process Improvements; FSD Share; 2025-2035; Reg 31 WQBEL for TN & TP; Filtration & Solids Handling		\$ 9,375,000	
Trunk Collection System Extensions; 20,000 LF; 2020- 2035	\$ 4,000,000		
Total Capital Improvement Projects for Future Capability; Based on existing total permitted treatment capacity of RJCII and HDTRWRF	\$ 5,522,500	\$ 35,853,000	\$ 95,500

FOUNTAIN SANITATION DISTRICT
PROPOSED PLANT INVESTMENT FEE

1. Estimated wastewater infrastructure replacement value	\$ 108,487,408
2. Reduction for expended useful life	\$ 26,211,830
3. Current replacement value adjusting for remaining useful life of existing wastewater management infrastructure	\$ 82,275,579
4. Total value of forecast major capital improvement projects through 2035	\$ 41,471,000
5. Total existing and future wastewater infrastructure value	\$ 123,746,579
6. Maximum SFE capacity of wastewater management system, SFEs	21,914
7. PIF total current value/SFE capacity	\$ 5,647

% Hydraulic Capacity
CURRENTLY Used with RJCII + HDTRWRF
 SFE Capacity = 42.03%
 21,914

% Hydraulic Capacity
CURRENTLY Used with HDTRWRF
 SFE Capacity = 84.80%
 10,861