

VALLEY SANITATION DISTRICT

2026 BUDGET REPORT

SUMMARY

The 2026 Budget for Valley Sanitation District has been prepared in accordance with the modified accrual basis of budgetary accounting.

Services to be provided in accordance with the 2026 budget include operation, maintenance and repair of Valley's 27.2 miles of sanitary sewer mains.

Total revenue from all sources in 2026 is projected to be \$7741,439; general revenue of \$315,724, debt service revenue of \$121,340 and enterprise revenue of \$304,375. Total expenditures including debt service, capital items, contingencies and emergency reserves are budgeted at \$641,816. Operating expenditures are budgeted at \$408,715, \$66,780 more than 2025 budgeted expenses. Principal and interest payments of \$75,652 and \$45,709, respectively, are budgeted to satisfy the annual loan payments. No capital expenditures are budgeted for 2026.

Beginning funds available in 2026 are estimated to be \$1,680,995. The reserve fund balance is projected to increase \$99,623 to \$1,780,618 at year end 2026.

On November 17, 2017 a majority of the District's electors authorized the District to incur debt up to \$2,700,000 for the purpose of financing the cost of relocating and improving the District's interceptor sewer line. Construction on the project is anticipated to conclude by the end of 2020. A thirty-year loan from the Colorado Water Resources and Power Development Authority was executed in early 2019 with the repayment of debt financed through the assessment of property taxes. An annual debt service mill levy will be assessed to satisfy the annual loan payments.

REVENUE

Total Revenue in 2026 is projected to be \$741,439, \$33,950 more than the 2025 budget.

General property tax revenue amounting to \$211,491 28.6 percent of total District revenue. Assessment of the District's mill levy (2.493 mills) will result in property tax revenue in excess of TABOR and the state 5.5 percent revenue limitations. Thus, a mill levy reduction of 1.053 mills will be certified to bring tax revenue into alignment with said revenue limitations. Certification of a mill levy of 1.457 mills (including abatements) will result in property taxes amounting to \$211,491, \$8,039 more than 2025 budgeted property tax revenue. A breakdown of assessed valuations and property tax revenue for each county is shown on page two of the budget.

The property tax assessment for the year 2026, needed to pay the annual loan payment is

\$121,361. The mill levy rate for this assessment is .831.

Specific Ownership Tax income amounting to \$18,250 is budgeted for 2026. Specific ownership taxes represent the District's share of automobile registration fees and are remitted to the District by the county treasurers in accordance with a formula based on each local government's mill levy certification.

Investment income is projected to decrease \$8,970 from estimated 2025 revenue of \$59,400 to \$50,430 budgeted for 2026. Given current market conditions the average yield on District investments in 2026 is projected to be 3.0 percent.

In November of 2022, the District sought voter approval to collect, retain, and spend all revenues from all sources as a voter approved revenue change and exception to the limits that apply under the TABOR amendment and other statutory limitations. This recovered revenue would have enabled the District to fund significant rehabilitation projects that have been identified and are required to maintain the sewer system. As a result of the failed TABOR proposal, the service fee was increased as of January 1, 2024 from 15 percent to 30 percent of each customers' City of Englewood sewer bill. Effective January 1, 2026, the fee will be increased to 35 percent. The revenue is collected by Englewood and remitted to Valley. Projected service fee revenue for 2026 is estimated to be \$304,375, \$39,195 more than the amount estimated for 2025.

No tap fee revenue is expected in 2026.

The District has Intergovernmental Agreements with Columbine Water and Sanitation District and Bow Mar Water and Sanitation District that provide for cost sharing provisions for capital and maintenance costs related to the outfall interceptor owned by the District. Revenue has been budgeted in 2026 for the reimbursement of costs by these entities related to the District's outfall sewer replacement project of \$14,900 and ongoing maintenance of the new lift station and outfall sewer main of \$17,545.

EXPENSES

Total expenses for 2026 are budgeted at \$641,816, \$408,715 for operations, \$121,361 for debt service, and \$111,740 for contingencies and emergency reserves.

Sanitary sewer maintenance expenses for 2026 are budgeted at \$208,040, \$39,515 more than \$168,525 budgeted in 2025. Projected maintenance expenses are based on the District's preventive maintenance program and represent 50.9 percent of total operating expenses.

Remedial and emergency repairs for 2026 are budgeted at \$51,295. Remedial maintenance reserves funds for repairs determined to be necessary throughout the year because of sewer video inspections. A remedial project identified for repair in 2026 consists of removing liner that is protruding into flow and is projected to cost \$39,985.

Emergency repairs include costs associated with sewer backup response and remediation. Funds are not allocated to specific activities but are available if needed.

The 2026 budget includes \$5,000 for general engineering services, the same as the amount budgeted in 2025. General engineering services include expenditures for consulting services relating to engineering matters, plan review services, and surveying services that are non-capital project related. The District issues tasks orders for specific engineering projects identified throughout the year.

Total lift station maintenance costs are budgeted at \$10,800, \$650 more than the amount budgeted in 2025. General maintenance includes repairs and maintenance to the lift station pumps, motors, control systems and related equipment to maintain performance.

Lift station utilities include costs for electric, gas, water, SCADA monitoring, and security services. Lift station utility expenses for 2026 are budgeted at \$23,650, the same as the amount budgeted in 2025.

Administrative expenses are budgeted at \$45,000 in 2026; the same as the amount budgeted in 2025. This line item includes administration, financial, and management functions conducted by Platte Canyon Water and Sanitation District staff under the Intergovernmental Agreement between Valley and Platte Canyon.

Advertising and publication expenses include publication of special district compliance notices. The budget for 2026 for this line item is \$165, the same amount budgeted in 2025.

The budget for legal services which are authorized on an as needed basis is \$10,000, which is the same amount budgeted in 2025.

The 2026 budget amount to conduct the annual audit is \$5,600, \$200 more than the amount budgeted in 2025.

Insurance for general liability, officers and directors' liability, worker's compensation, and commercial crime coverages are obtained from the Colorado Special District's Property and Liability Pool. The amount budgeted for all coverages in 2026 is \$21,800, the same amount budgeted in 2025.

The District is required by state statute to be a member of Colorado 811. As a tier one member of Colorado 811, Valley is required to pay for each utility location request transmitted to the District. The amount budgeted for utility location charges in 2026 is \$3,500, the same amount budgeted in 2025.

Supplies includes routine office, stationary and filing materials. The budget for this line item is \$250, the same amount budgeted in 2025.

Director's fees and expenses are budgeted at \$6,000 and assume 100 percent attendance

of all directors at all regularly scheduled Board meetings.

Salaries and payroll taxes represent personnel costs for the District Manager. The budget for 2026 is \$5,625, the same amount budgeted in 2025.

County treasurers are allowed to retain 1.5% of all property tax revenue collected as a processing fee. Treasurer's fees charged by Denver and Arapahoe Counties are budgeted at \$4,990.

The 2026 budget includes \$5,000 for public relations related expenses such as newsletters, informational brochures, and website expenses. This is equal to the amount budgeted in 2025.

The 2026 budget includes \$1,000 for miscellaneous expenses.

The 2026 budget reserves \$61,310 for unbudgeted contingencies that may arise during the year. This amount is \$10,020 more than budgeted in 2025. In addition, \$50,430 is budgeted as an emergency reserve as required by the TABOR Amendment.

CAPITAL EXPENDITURES

There are no capital expenditures planned for 2026.

PROPERTY TAXES

The general operations mill levy for Valley Sanitation District in 2026 (tax year 2025) is proposed to remain the same as the levy certified in tax years 2006 through 2025, 2.493 mills. However, due to the growth in assessed values of all taxable property within the Valley Sanitation District, a mill levy reduction of 1.053 mills will be imposed in 2026. The mill levy to be certified to Denver and Arapahoe Counties will be 1.457 mills, which includes 0.017 mills for abatements.

Repayment of the \$2,700,000 loan received from the Colorado Water Resources and Power Development Authority is financed through the assessment of property taxes generated by an annual mill levy until paid. Each year's debt service mill levy will be sufficient to pay the principal and interest due that year. A mill levy of .831 will be certified to Denver and Arapahoe Counties in anticipation of the debt service payment due in the amount of \$121,361.

Assessed values increased this year to \$146,016,926 from \$138,685,480 assessed in 2024. Eighty-one percent of the District assessed value is located in Arapahoe County and nineteen percent in Denver County.

Total property tax revenue for operations proposed for 2026 is \$211,491; \$8,039 more

than the budgeted amount of \$203,452 in 2025.

LEASE - PURCHASE AGREEMENTS

As required by *C.R.S. 29-1-103(3)(d)*, the 2026 budget includes a schedule for lease purchase agreements. Valley does not have any lease-purchase agreements requiring expenditure of funds in 2026.

TEN YEAR FINANCIAL PLAN

The Ten-Year Financial Plan projects a reserve fund balance of \$1,680,995 at year end 2025. The fund balance is projected to increase (including contingency and TABOR emergency reserve expenditures) to \$1,780,618 in 2026. Over the ten-year planning period the reserve fund balance is projected to decrease to a fund balance of \$677,882. This decrease is due to significant capital outlay scheduled to begin in 2028. The Board reviews the fund balance every year to determine the adequacy of the reserves to fund District administrative, operations, maintenance, and capital project expenditures.

General property taxes will produce 27.3 percent of total District revenues between 2026 and 2035 with a total of \$2,388,104.

Debt service payments on the loan began in 2020 and extend to 2049 at which time the debt is retired.

The average yield on District investments is assumed to be 3.0 percent in 2026 and 3.5% through the end of the planning period.

Service fees are imposed based on a percentage of each customer's sewer billing for City of Englewood sewer treatment services. For planning purposes, the percentage will increase to 35 percent for the years 2026 through 2028, increase to 40 percent for the years 2029 through 2031, and be increased to 45 percent for the years 2032 and 2035. In addition, the City is projecting 4.5% increases in rates for the planning period which will result in a corresponding increase in revenue for the District. These aggressive increases in the service fee are necessary to mitigate the impact of the significant capital outlay that is required over the planning period. Revenue from the Enterprise is expected to produce \$4,143,033, approximately 47.4 percent of all District revenue over the ten-year planning period.

Operating expenses are projected to increase 3.46 percent in 2026 and throughout the ten-year planning period.

Rehabilitation of the District's small diameter concrete pipe sewer mains are scheduled for replacement over a five-year period beginning in 2028. Rehabilitation of these sewer mains are necessary due to pipe deterioration and compromised structural integrity

caused by sewer gases. The total amount of the rehabilitation is projected to be \$3,000,000. Further investigation of the pipe condition is needed to prioritize rehabilitation, but an additional revenue source will be likely be required to fund the capital outlay.

**VALLEY SANITATION DISTRICT
2026 BUDGET**

	ACTUAL 2023	ACTUAL 2024	BUDGET 2025	ESTIMATED 2025	PROPOSED BUDGET 2026	DIFFERENCE FROM 2025 BUDGET
Beginning Balance January 1	\$ 841,491	\$ 1,265,818	\$ 1,386,219	\$ 1,386,591	\$ 1,680,995	
REVENUE						
Property Taxes - Operations	187,745	198,500	203,452	203,450	211,491	8,039
Property Taxes - Debt Service	121,028	120,821	121,350	121,350	121,340	(10)
Specific Ownership Taxes	19,896	18,594	21,112	17,800	18,250	(2,862)
Interest Earned	47,039	61,677	55,450	59,400	50,430	(5,020)
Service Fee (Enterprise)	250,761	253,467	268,612	265,180	304,375	35,763
System Development Fee (Tap Fees)	-	4,800	-	-	-	-
Sheridan Sanitation District No. 1 Capacity	149,000	-	-	-	-	-
IGA Cost Sharing - Capital	34,997	34,996	14,900	14,900	14,900	-
IGA Cost Sharing - Maintenance	31,009	29,607	19,505	14,640	17,545	(1,960)
Other	10,719	34,229	3,108	3,108	3,108	-
Total Revenue	852,194	756,691	707,489	699,828	741,439	33,950
OPERATING EXPENDITURES						
<u>MAINTENANCE</u>						
Maintenance & Repairs	152,422	200,284	168,525	125,810	208,040	39,515
Repairs Remedial/Emergency	40,445	-	20,000	19,380	51,295	31,295
Engineering / Engineering GIS	-	-	5,000	-	5,000	-
Maintenance - Kent	1,000	1,000	1,000	1,000	1,000	-
Lift Station Maintenance	10,658	66,741	10,150	9,335	10,800	650
Lift Station Utilities	20,516	20,273	23,650	21,410	23,650	-
<u>ADMINISTRATION</u>						
Administrative Expenses	35,522	34,071	45,000	42,050	45,000	-
Advertising & Publication	145	146	165	155	165	-
Legal	4,495	2,209	10,000	5,020	10,000	-
Audit	5,400	5,400	5,400	5,600	5,600	200
Insurance	16,004	18,183	21,800	17,940	21,800	-
UNCC	1,602	1,663	3,500	1,970	3,500	-
Supplies	202	25	250	140	250	-
Director's Fees & Expenses	5,500	5,700	6,000	5,300	6,000	-
Salaries & Payroll Taxes	5,588	5,603	5,625	5,575	5,625	-
Treasurers Tax Collection Fee	4,350	4,635	4,870	4,815	4,990	120
Public Relations	61	1,974	5,000	-	5,000	-
Election Expense	2,035	-	5,000	150	-	(5,000)
Other	799	645	1,000	714	1,000	-
Sub-Total Operating Expenses	306,744	368,552	341,935	266,364	408,715	66,780
DEBT SERVICE						
Debt - Principal	71,267	72,700	74,161	74,161	75,652	1,491
Debt - Interest	49,856	48,419	47,200	47,199	45,709	(1,491)
Sub-Total Debt Service	121,123	121,119	121,361	121,360	121,361	-
CAPITAL EXPENDITURES						
Capital Outlay	-	146,247	7,700	17,700	-	(7,700)
Sub-Total Capital Expenditures	-	146,247	7,700	17,700	-	(7,700)
Contingency	-	-	51,290	-	61,310	10,020
TABOR Emergencies Reserve	-	-	41,590	-	50,430	8,840
Total Expenditures	427,867	635,918	563,876	405,424	641,816	77,940
Ending Balance December 31	\$ 1,265,818	\$ 1,386,591	\$ 1,529,832	\$ 1,680,995	\$ 1,780,618	

VALLEY SANITATION DISTRICT **2026 BUDGET**

PROPERTY TAXES ASSESSED

	Tax Year 2022	Tax Year 2023	Tax Year 2024	Tax Year 2025
Assessed Valuation				
Arapahoe County	\$ 87,698,869	\$ 109,649,488	\$ 112,181,640	\$ 117,395,432
Denver County	20,394,810	26,579,270	26,503,840	27,756,580
Total Valuation - Operating	108,093,679	136,228,758	138,685,480	145,152,012
Arapahoe County Bond	-	-	-	864,914
Total Valuation - Debt	108,093,679	136,228,758	138,685,480	146,016,926
Mill Levy - Operations	2.493	2.493	2.493	2.493
Temporary Mill levy Reduction	(0.751)	(1.041)	(1.026)	(1.053)
Abatements	-	0.010	-	0.017
Net Mill Levy - Operations	<u>1.742</u>	<u>1.462</u>	<u>1.467</u>	<u>1.457</u>
Mill Levy - Debt Service	<u>1.121</u>	<u>0.891</u>	<u>0.875</u>	<u>0.831</u>
Mill Levy - Debt Service	1.121	0.891	0.875	0.831
Property Tax Revenue - General	188,299	197,804	203,452	209,019
Abatements	-	1,382	-	2,472
Property Tax Revenue - Debt Service	121,173	121,380	121,350	121,340
Property Tax Revenue	\$ 309,472	\$ 320,566	\$ 324,801	\$ 332,831
Arapahoe County - General	152,771	159,211	164,570	169,049
Arapahoe County - Abatements	-	1,382	-	2,033
Arapahoe County - Debt service	98,310	97,698	98,159	97,556
Arapahoe County - Debt service Valley Bond	-	-	-	719
Denver County - General	35,528	38,593	38,881	39,969
Denver County - Abatements	-	-	-	439
Denver County - Debt Service	<u>22,863</u>	<u>23,682</u>	<u>23,191</u>	<u>23,066</u>
	\$ 309,472	\$ 320,566	\$ 324,801	\$ 332,831