

Willows Water District is dedicated to funding long-term water system (capital) improvements. Increases in capital expenses are typically due to aging infrastructure (water mains, service lines, valves, hydrants, etc.) some of which are over 40 years old. The District has historically paid for capital improvements from rates and tap development fees. In 2016 the District implemented a capital improvement fee to contribute to capital improvement funding.

The fee is a recurring bi-monthly fee of \$35/customer service connection (tap). The District currently has 5,880 taps resulting in annual capital improvement funding of \$1,234,800. The District's 2020 budget includes over \$1.4 million dollars in capital expenditures, including the Service Line Replacement Project and Meter Replacement Program.

The following is a breakdown of the 17.50/month charge:

| Capital Revenue Requirement* | | Description |
|------------------------------|----------------------|--------------------------------|
| \$1,234,800 | | Annual Capital need |
| \$210 | (\$1,234,800 / 5880) | Annual Capital cost per "tap" |
| \$17.50 | (210/12) | Monthly Capital cost per "tap" |

***numbers are rounded for clarity**

A major portion of the 2020 capital budget includes service line replacements from the water main to the shut-off valve at the customer's property line. Approximately 200 service lines will be replaced this year at a cost of \$4,800 per line. By the end of the year, the District will have approximately 2,500 service lines that still need to be replaced. The District's Ten-Year Capital Improvement Plan forecasts \$13.8 million in distribution system project costs.

Over the past three years, the Board has considered various options for funding capital projects, including financing, keeping capital revenue generation in rates, and increasing rates in addition to the pass through rate increase from Denver Water. Funding capital projects through rates can be problematic; revenues are variable as a condition of weather and water availability (drought). Additionally, customers with larger lots (higher water use) pay a disproportionate share of capital costs. Our infrastructure is "wearing out" based on age, environment, and material; it is not related to the volume of water flowing through it.

The District is 'built-out' and can no longer rely on tap development fees to help fund capital projects. The capital improvement fee was implemented to provide reliable funding for water system improvements.

If you have questions regarding the capital improvement fee, please contact the District office.