

ACTION MEMORANDUM CHATFIELD WATERSHED AUTHORITY

Date: October 31, 2023

TO: CWA TAC

FROM: Alan J. Leak, P.E., Technical Consultant

SUBJECT: Draft 2024 CWA Budget, 2024 Dues, and the 2024-2028 Planning Budget.

SUMMARY OF ACTION REQUESTED: Review and recommend approval to the Board of the draft 2024 budget and 2024 dues.

RECOMMENDED EFFECTIVE DATE: January 1, 2024

COST IMPACTS: The draft 2024 budget includes revenues in the amount of \$295,476 and expenditures in the amount of \$368,195. Assuming the projected starting fund balance in 2024 of \$173,056, the ending fund balance in 2024 is projected to be \$100,337, with expenditures exceeding revenues by \$72,719. Projected revenues and expenditures after 2024 are expected to continue to deplete the CWA's fund balance and will likely fall below the recommended minimum \$100,000 fund balance at the end of 2028 without an increase in revenues or a decrease in expenditures. The 2024-2028 planning budget workbook does not include estimated additional expenditures for upcoming water quality rulemaking processes after 2024 and additional NPS projects should the Board choose to participate in those processes and projects. Additional revenues are expected in 2025 and beyond from the Chatfield State Park water quality fee authorized in SB23-267. Once the actual fee amount is set by the Colorado Parks and Wildlife Commission, the 2025-2028 planning budget will be revisited and revised accordingly.

PURPOSE / BACKGROUND: The CWA Board will meet on November 20th, 2023, at which time a final draft 2024 budget and dues will be presented for review and adoption. The CWA TAC advises the Board on budgetary matters and a draft 2024-2028 budget workbook was presented at the October 16, 2023, Board meeting. At that meeting the Board discussed the draft 2024 budget and the 2024-2028 budget workbook and requested that the TAC finalize a proposed 2024 budget and 2024 dues for their review/approval.

Draft 2024 Budget: The draft 2024 budget is based upon the 2023 budget, as modified by previous board actions and input from CWA consultants, and current projections of revenues and expenditures in 2024. Key assumptions in the 2024 budget are as follows:

Dues. In 2022, the CWA Board approved a 20% increase in the 2022 member dues. The proposed 2024 budget assumes that this increase will be carried forward to 2024. The budget also assumes a voluntary dues contribution of \$4,800 from non-members. The monitoring In-kind contributions were increased by 20% (this budget item has not increased since before 2021) to reflect the increasing cost to member entities for water quality monitoring and testing.

(Please note that any changes in these contributions are equally reflected as an expense and thus do not impact the end of year balance).

Inflation. Last year's planning workbook assumed a 6% increase in all expenses due to inflation. Given the continued increase in inflation in 2023, the 2024 budget assumes a 4% increase in all expenses for 2024 except as described for the budget items described below.

Technical Services. The 2023 budget for technical services was adjusted mid-year from \$76,426 to \$81,426 to account for work on the Lakes Nutrients rulemaking. The 2024 budget uses the original 2023 budget value of \$76,426, adjusted by 4% for inflation to \$79,483.

Legal Services. The 2023 budget for legal services was adjusted mid-year from \$33,644 to \$58,640 to account for work on the Lakes Nutrients rulemaking. The 2024 budget reduces the ongoing legal support fees from \$33,644 to \$28,080 and includes an additional \$32,260 for site-specific standards, rulemakings, stakeholder engagement, and CPW water quality fee tasks for a total budget of \$60,340.

NPS Projects and Consultants. The proposed 2024 budget for NPS Projects and Consultants includes \$53,300 for site specific standards development and \$27,000 for NPS Projects for a total budget of \$80,300. The NPS project's budget is reduced from the previous yearly budget amount of \$29,000 to keep the ending CWA fund balance above \$100,000. No watershed modeling is included in the 2024 budget due to the shift in budgeting from reallocation of the TMAL to development of a site-specific standard for nitrogen.

Pub Outreach - Consultants. The budget for a lobbyist in the 2023 budget under this budget item to shepherd a long-term funding initiative for the CWA was completed in 2023 and thus no funds are budgeted in 2024 for this item.

2024-2028 Planning Budget: The 2024-2028 Planning Budget Workbook does not include funding for the following:

- Lakes/Nutrients Rulemaking. The current plan is to request adoption of a nitrogen standard for Chatfield Reservoir in the Regulation #38 rulemaking hearing, currently scheduled for June 2025. Funding for the initial development of a proposed nitrogen standard is included in the 2024 budget. Funding for participation in the 2025 rulemaking hearing will need to be budgeted for 2025. There is proposed additional rulemaking in 2027 to complete the lakes/nutrients standards for all Colorado reservoirs and streams. It is unknown if the standards adopted in the 2023 rulemaking hearing will be further modified and what will be proposed as final nutrient standards for streams. If the proposed nitrogen standard for Chatfield Reservoir is adopted in 2025, the CWA may choose to participate on a limited basis in the 2027 Lakes Nutrients rulemaking hearing and funds for this participation will need to be budgeted.
- Regulation #73 Rulemaking. The Regulation #73 Triennial Review Informational Hearing is scheduled for February 2024 to determine if there is a need to revise Regulation #73. If revisions are proposed, a rulemaking hearing for Regulation #73 would likely be scheduled for 2026. Funding for participation in any rulemaking process after the February 2024 hearing will need to be budgeted. Additional work towards adoption of revised TMAL

allocations for Chatfield Reservoir has been postponed until work on the site-specific standard for nitrogen has been completed. This additional work TMAL would likely commence in 2026 or later and would need to be accounted for in budgets in 2026 or later.

- Increase Projects Budget. There have been previous discussions of the possibility of the CWA substantially participating in a larger NPS project as well as suggestions by the Water Quality Control Division of the CWA doing more NPS work. The current 2025-2028 budget includes \$29,000/year for NPS projects. If the CWA decides to maintain the \$29,000 annual NPS projects budget after 2024 (in which it was reduced to \$27,000), these additional projects would not be funded.

If none of the estimated additional expenditures are ultimately needed or implemented, there is still a small amount of revenue increase needed to maintain the recommended \$100,000 fund balance. This represents about \$1,700 annually from 2024-2028.

TAC RECOMMENDATION(S): Recommend the CWA Board approve the 2024 Budget and 2024 Dues as presented.

PROPOSED TAC MOTION: Recommend the CWA Board approve the 2024 Budget and 2024 Dues as presented.

Attachment: CWA Budget Planning Workbook 2024-2028 Version 10/31/2023