ACTION MEMORANDUM CHATFIELD WATERSHED AUTHORITY

Date: November 1, 2022

TO: CWA TAC

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

SUBJECT: Draft 2023 CWA Budget and the 2023-2028 Planning Budget.

SUMMARY OF ACTION REQUESTED: Review and recommend approval to the Board of the draft 2023 budget and the 2023-2028 planning budget.

RECOMMENDED EFFECTIVE DATE: January 1, 2023

COST IMPACTS: The draft 2023 budget includes revenues in the amount of $280,952 and expenditures in the amount of $399,098. Assuming the projected starting fund balance in 2023 of $290,052, the ending fund balance in 2023 is projected to be $171,906, with expenditures exceeding revenues by $118,146. Projected revenues and expenditures through 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 2024. The 2023-2028 planning budget workbook includes estimated additional expenditures for upcoming water quality rulemaking processes and NPS projects should the Board choose to participate in those processes and projects. If so, based on the planning estimates, an additional $618,457 in revenue will be required from 2024 to 2028 to cover the estimated additional expenditures.

PURPOSE / BACKGROUND: The CWA Board will meet on November 14th, 2022, at which time a final draft 2023 budget will be presented for review and adoption. The CWA TAC advises the Board on budgetary matters and a draft 2023-2028 budget workbook was presented at the October 17, 2022, Board meeting. At that meeting the Board discussed the draft 2023 budget and the 2023-2028 budget workbook and requested that the TAC finalize a proposed 2023 budget for their review/approval. The Board also adopted the 2023 dues.

Draft 2023 Budget: The draft 2023 budget is based upon the 2022 budget, as modified by previous board actions and input from CWA consultants, and current projections of revenues and expenditures in 2022. Key assumptions in the 2023 budget are as follows:

> Dues. In 2022, the CWA Board approved a 20% increase in the 2022 member dues. The proposed 2023 budget assumes that this increase will be carried forward to 2023. The budget also assumes a voluntary dues contribution of $4,800 from non-members. The monitoring In-kind contributions remain at the same level as in 2022 (Please note that any changes in these contributions are equally reflected as an expense and thus do not impact the end of year balance).

Technical and Legal Fees. At the July 24, 2022, CWA Board meeting the CWA Board approved a budget amendment that added funding in 2022 for the Lakes Nutrients hearing previously scheduled for November 2022 as well as reallocated funding in other funding categories. That budget amendment increased the previously amended 2022 budget from $328,174 to $361,887 (+$33,713). At that time, a limited scope rulemaking for Regulation #73 was still considered to be needed. After that meeting, the limited scope rulemaking for Regulation #73 has been postponed indefinitely (informally) and the Lakes Nutrients rulemaking hearing has been delayed to April 2023. Therefore, part of the funding for the Regulation #73 hearing has been moved for use in the Lakes Nutrients hearing effort and the Lake Nutrients rulemaking budget not used or needed in 2022 has been moved to 2023. This adjustment is reflected in the estimated 2022 budget as of 9/30/2022 and the proposed budget for 2023.

Financial Services. The proposed 2023 financial services budget remains the same as was budgeted for 2022.

Inflation. Previous planning workbooks have assumed a 3% increase in all expenses due to inflation. Given the large increase in inflation in 2021 and 2022, the 2023 budget assumes a 6% increase in all expenses for 2023 except as follows:

- NPS Projects and Consultants: Approximate 6% increase, rounded for budgeting
- Authority Management Fees: 10% increase
- Financial Services: No increase

NPS Projects and Consultants. The proposed 2023 budget maintains the previously planned 2023 NPS projects and work while shifting watershed work planned for 2022 to 2023.

Lobbyist. The need for a lobbyist to shepherd a long-term funding initiative for the CWA has been discussed with the TAC and the Board. I am currently budgeting an estimated $35,000 expense for a lobbyist in 2023 as a placeholder for this work.

2023-2028 Planning Budget: The 2023-2028 Planning Budget Workbook includes a separate tab which presents estimates of additional expenditures for future water quality rulemaking processes and NPS projects should the Board choose to participate in those processes and projects. The spreadsheet includes four separate line items as follows:

- Lakes/Nutrients Rulemaking. 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 CWA chooses to not participate in this rulemaking process, the CWA will not have a direct voice in determining if the proposed standards are appropriate and/ or whether they are needed to protect beneficial uses in the watershed.
- Regulation #73 Rulemaking. It is likely that a rulemaking hearing will be proposed for Regulation #73 to adopt revised TMAL allocations for Chatfield Reservoir along with other updates / revisions to the Regulation. It is anticipated that this rulemaking hearing will also determine wasteload allocations for MS4 entities as they are now considered to be point sources. If the CWA chooses to not participate in this rulemaking process, the CWA will not

have a direct voice in determining the proposed TMAL allocations nor other possible revisions that, if adopted, may not be in the best interests of the CWA members. It should be noted that Regulation #73 includes the following: "The activities to support revisions to allocations of the allowable load are identified below. The Authority shall implement these activities, as allowed by applicable funding levels (underline added), for review by the Division and Commission at the next triennial review". The CWA may be able to delay the implementation of activities to revise the TMAL but it is uncertain for how long the Water Quality Control Commission will wait for this effort. It has been 13 years since this requirement was included in Regulation #73.

- 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 2023-2028 budget includes $29,000/year for NPS projects. If the CWA decides to maintain the $29,000 annual NPS projects budget, these additional projects would not be funded.
- Cost to Secure Additional Funding. Only the draft 2023 budget includes funding of a lobbyist to help secure additional revenue for the CWA. There may be additional costs associated with this effort that cannot be estimated at this time.

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 $13,000 annually from 2024-2028.

TAC RECOMMENDATION(S): Recommend the CWA Board approve the 2023 Budget as presented.

PROPOSED TAC MOTION: Recommend the CWA Board approve the 2023 Budget as presented.

Attachment: CWA Budget Planning Workbook 2023-2028 Version 10/17/2022

cc: