



Perry Park Water and Sanitation District
5676 West Red Rock Drive
Larkspur, Colorado 80118
www.ppwsd.org

November 4, 2011

Information Regarding Proposed Water Rate Increase

In 2008 the Board of Directors of the Perry Park Water and Sanitation District commissioned The Engineering Company (TEC) the District's engineering firm to develop a Rate Study for the District.

The results of the Rate Study included: the recommendation that the District implement a water rate increase of 5% for the years 2009, 2010, 2011 and 2012; and the need for the District to develop an additional revenue source for capital projects. The Rate Study also highlighted that the District's sewer rates were adequate to pay for operations and maintenance expenses associated with providing sanitary sewer service.

The Board approved the water rate increases in 2008 and did implement the first recommended water rate increase in 2009. This was the first rate increase in ten years. As part of the annual budgeting process, the Board reviews the current year's revenue and expense accounts as well as the next year's projections. With achieved cost savings related to bank charges, accounting fees, audit fees, labor costs and utilizing internal labor for the Glen Grove Water Treatment Plant Upgrade, the District was able to maintain a budget where the revenues collected exceeded operating expenses. This provided the Board the flexibility to postpone increases in 2010 and 2011.

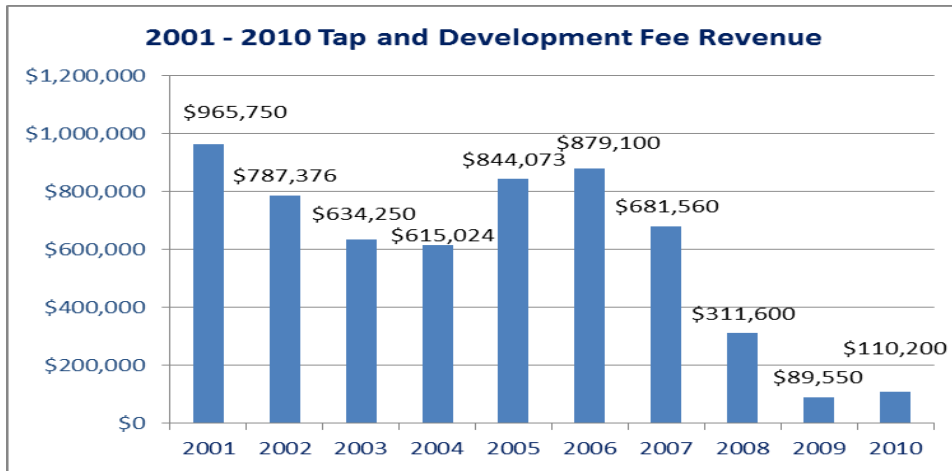
The strength of the District is built on the industry best management practice of paying for its operations and maintenance with the water and sewer revenues it collects from its Customers. The District was able to meet this goal and forestall the additional water rate increases by cost reduction achievements until now.

During the past three years the District has experienced cost increases in utilities and commodities, new treatment requirements imposed by the Environmental Protection Agency and Colorado Department of Public Health and Environment, electrical bills from I.R.E.A., chemical costs for water and wastewater treatment, sludge disposal and the acceleration of water main breaks due to aging infrastructure in the District. The District is also expecting a substantial reduction in property tax revenue in 2012 due to reduced real estate valuations within the District.

With regard to capital improvements, which include the acquisition of renewable water supplies, the District had in the past funded them with revenue from tap and development fees. Economic conditions have all but halted development in the District, drying up this revenue source. The following graphic illustrates the decline in fees generated by new construction in the District.



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The District maintains significant treatment infrastructure for water and wastewater, one hundred miles of water main and transmission pipes and forty miles of sewer main and interceptor pipes. As the infrastructure and pipes age, (some are over forty years old), replacement and maintenance costs increase. In 2011 the District replaced a section of water main that was plagued by frequent breaks, costing \$195,270. The District is also in the process of replacing a failing component of wastewater treatment at a cost of \$260,000. The District uses all operations and maintenance techniques available to maximize the useful life of its infrastructure. However, the District anticipates that these expenditures will continue to rise in the future. To help insure that the District can manage these costs in the future the District is proposing a \$10.00 bimonthly Capital Improvement fee.

Monetary Impact to Our Customers

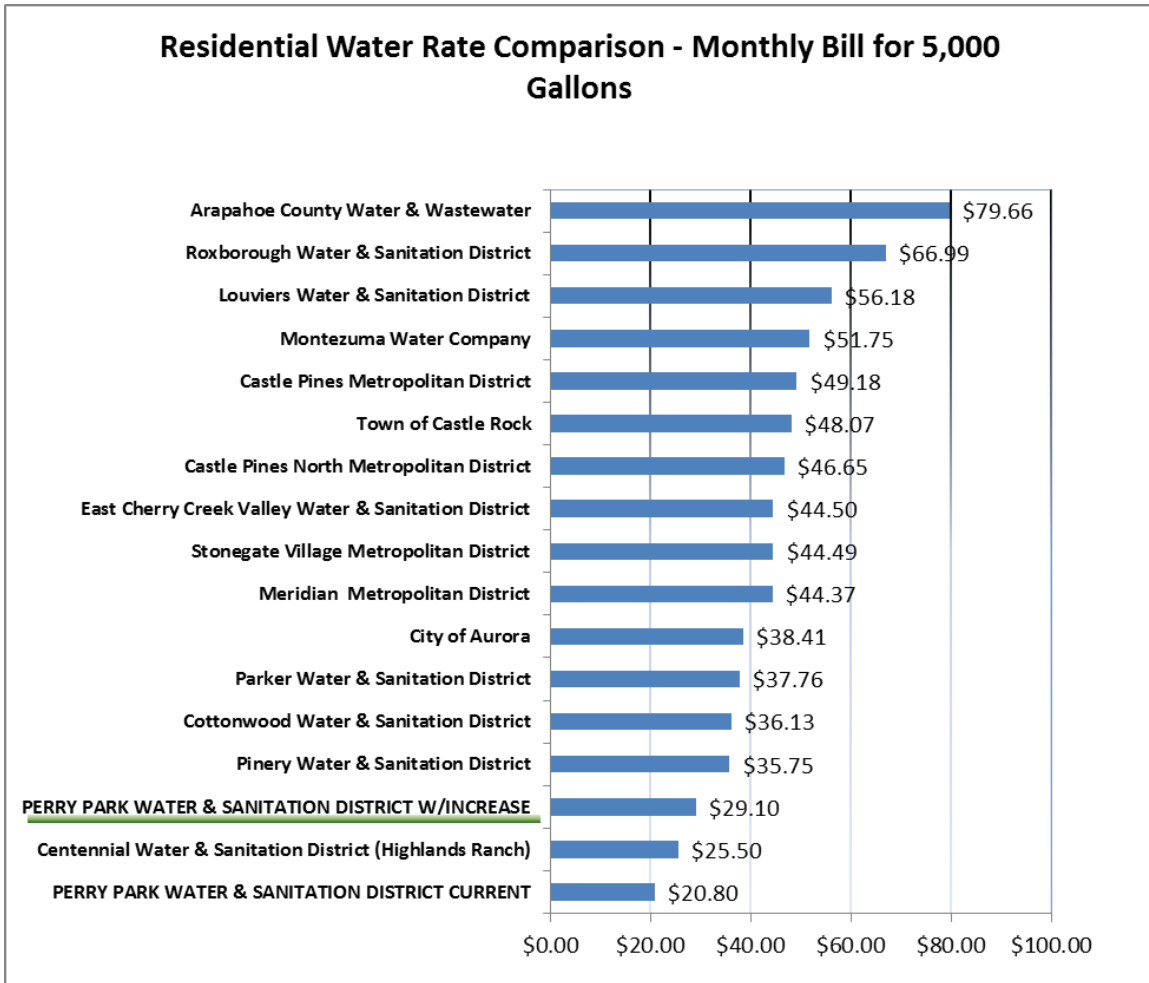
The flat rate (minimum rate) water charge in the District (5,000 gallons a month) will go from \$41.60 for two months to \$58.20. This equates to \$8.30 per month or \$99.60 per year.

The 2008 rate study determined that on average a Customer in the District consumes 9,400 gallons of water per month. The cost for this type of Customer will go from \$80.05 for two months to \$102.72. This equates to \$11.33 per month or \$135.96 per year.

The sewer rates will not increase.



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For More Information

The proposed rate increase will be discussed at the November 16, 2011 and December 7, 2011 Regular Board Meetings which begin at 4:30pm. Meetings are held at the District Office, 5676 West Red Rock Drive, Larkspur.

Please contact the District Manager, Diana Miller, at 303.681.2050, or via e-mail dmiller_ppwsd@comcast.net for additional information.