



MEMORANDUM

TO: Christine Gazda, Garfield & Hecht

FROM: Scott Forrester, PE **DRAFT**

DATE: May 12, 2025

RE: **2025 Update: Buckhorn Valley Metropolitan District Cash Flow Modeling**

Dear Christine:

The purpose of this memorandum is to summarize updated results of cash flow modeling (CFM) for the Buckhorn Valley Metropolitan District (District) Enterprise Fund. This work is a continuation of work performed for the *Irrigation System Assessment and Rate Study* prepared by SGM in August of 2022.

2025 Cash Flow Model (CFM) Update

The CFM is a tool developed to estimate future reserve balances when considering the expected operating and capital costs facing the system in the coming years. SGM updated the previously developed CFM with the adopted 2025 budget for the District No. 1 Enterprise Fund, incorporating expected expenses and revenues. Capital improvement and engineering projects were also updated in the CFM. The only capital improvement project that was detailed in the 2022 *Rate Study* that has been completed was splitting the electrical services at the Eagle River Pump Station. The remaining engineering and capital projects recommended by SGM are detailed in Table 1.

Table 1. Projects Summary

Irrigation System			
Component	Project	Estimated Cost, 2025 Dollars	Project Phasing
Engineering	Irrigation Supply and Distribution System Engineering	\$25,000/year	2029+
	GIS of Irrigation System	\$17,500	2027
	Hydraulic Model of Irrigation System	\$15,000	2028
	Develop O&M Manual	\$10,000	2026
	District Master Plan	\$15,000	2026
	District Rules and Regulations	\$10,000	2026
Capital Projects	Eagle River Pump Station Fire Mitigation	\$65,000	2027
	Repack PRVs	\$30,000	2026
	Re-line Buckhorn Reservoir	\$350,000	2036
	General Capital Improvements	\$25,000/year	2029+

Figure 1 shows the modeled Enterprise Fund balance for the next ten years with the existing irrigation water service rates. The modeling incorporates all expenses, revenues, capital improvement projects,



engineering projects, etc. The modeled yearly inflation of operating costs is 3%. Increases in revenues are modeled assuming the addition of 15 single family equivalent (SFE) homes per year.

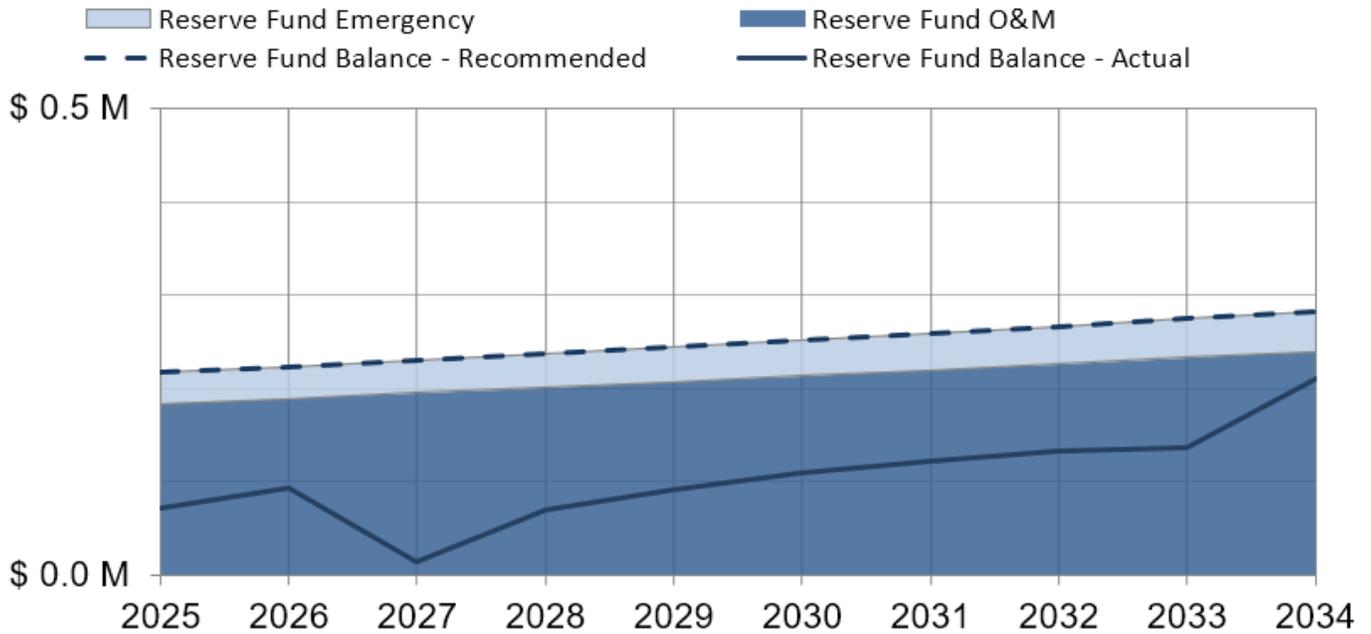


Figure 1. Modeled Enterprise Fund Balance with Existing Irrigation Water Service Rates

As shown in Figure 1, the modeled Enterprise Fund balance remains below recommended levels for the next ten years. An adequate Enterprise Fund balance is necessary to maintain operations, fund necessary capital improvement projects, fund debt payments with a secure source of revenue, and maintain an adequate emergency reserve balance. SGM recommends the District maintains a balance equal to 9 months of O&M costs plus the cost of the most expensive piece of equipment.

Irrigation Water Tap Fees and Service Rates

The draft Settlement Agreement includes a condition where \$5,000 payments per unit sold are deposited into a reserve account to fund development and capital improvement projects for the irrigation system. These payments are only made after the first 145 of the remaining approximately 390 lots are developed. Assuming a rate of development of 15 homes per year, these tap fees would begin being paid in the year 2034. SGM recommends that the District does not wait until these tap fees are being paid to perform the capital and engineering projects identified in Table 1.

The District intends to assess a \$250/customer special fee to boost the Enterprise Fund and fund deferred maintenance projects in 2025. Irrigation water service rate increases of 10% in 2025, 7% in 2026, and 5% moving forward (adjusted to match operating cost inflation) are also proposed to maintain an adequate Enterprise Fund balance and fund large capital improvement projects. Figure 2 shows the impact to the Enterprise Fund balance from implementing these measures. The Enterprise Fund is modeled to recover to recommended levels by 2026.

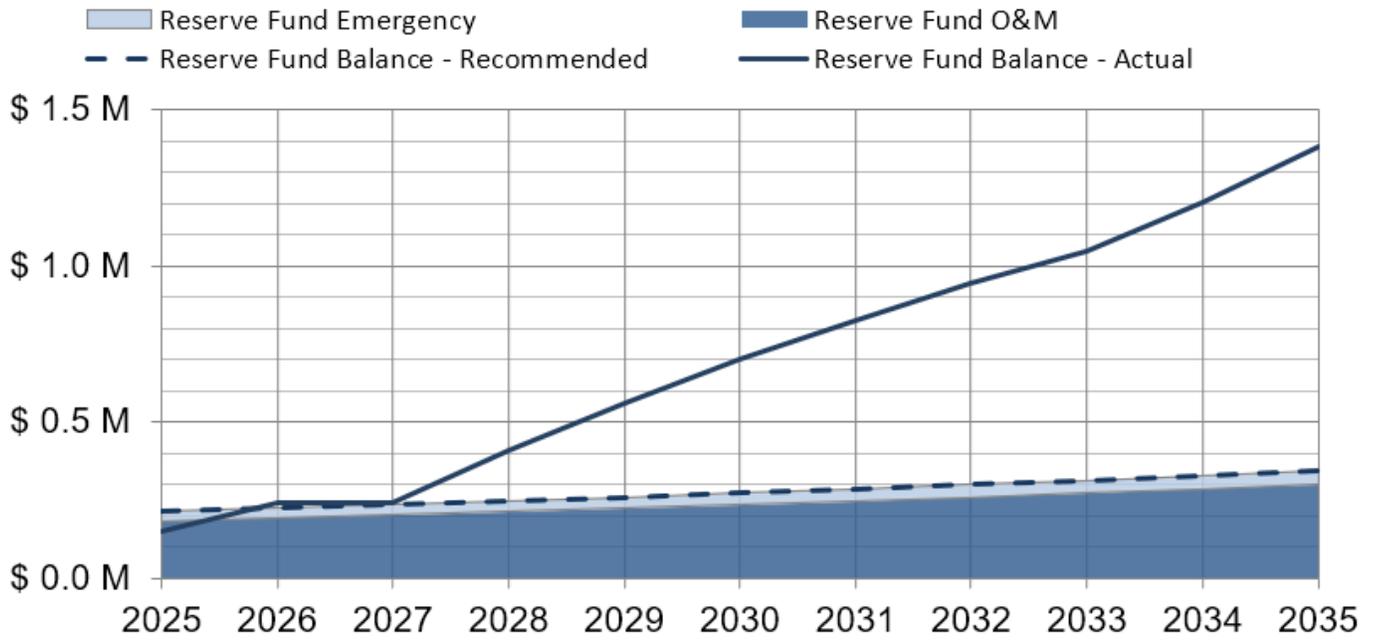


Figure 2. Modeled Enterprise Fund Balance with a 5% Increase to Irrigation Water Service Rates