



Southgate

WATER & SANITATION DISTRICTS
Arapahoe and Douglas Counties, Colorado

2019

Year in Review

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Our Mission

We are committed to providing safe, reliable, and high-quality water and wastewater service to all of our customers, and dedicated to being innovative, collaborative, and fiscally responsible in every aspect of our operations.

Our Vision

We will strive continuously to be a recognized leader and partner by providing excellent water and wastewater services and creating great communities through great relationships.

EXECUTIVE SUMMARY

The Southgate Water and Sanitation Districts (Districts) operate and maintain water distribution and wastewater collection systems. These are two distinct Colorado Title 32 Special Districts and have separate assets, revenues, financials, and investments. The two Districts operate under a cooperative agreement that will share equipment and office space. Reimbursements will be made from one District to another where appropriate. Southgate Water District provides service to over 43,000 customers within a 15 square mile service area while the Southgate Sanitation District provides service to nearly 60,000 customers within a 16 square mile service area in the southern suburban Denver I-25 corridor. The Districts service areas are shown in Figure 1, and includes portions of:

- City of Centennial
- City of Cherry Hills Village
- City of Greenwood Village
- City of Lone Tree
- Unincorporated Arapahoe County
- Unincorporated Douglas County

Southgate Water District (Water District) delivers an average of 9.5 million gallons of treated water per day (mgd) to its customers through a long-term distributor's contract with Denver Water. This "Read and Bill Distributors Agreement" assures that Southgate will have adequate water supply for total buildout of the District. This Distributors Contract identifies the responsibilities of Denver Water and the Water District. Denver Water provides the finished water in the system, reads and maintains the water meters, bills customers and receives payments as well as a Water District Service Fee that is sent back to Southgate bimonthly. The Water District is the owner of the water distribution system within the boundaries and is responsible for all system maintenance, repair, and ultimate replacement of all fire hydrants, valves, water lines, and water reservoirs. Details are provided later in the District Assets section.

Southgate Sanitation District (Sanitation District) collects and conveys an average daily flow of 7.5 mgd of wastewater to the South Platte Water Renewal Partners Treatment Plant in Englewood. There it is treated to meet required state and federal standards before discharging to the South Platte River. The District has a long standing connector agreement with the South Platte Renewal Partners to treat the effluent and an agreement with the City of Englewood to bill the Sanitation District customers and to collect and remit the Sanitation Districts service charge. The Sanitation District owns all wastewater

infrastructure within the Sanitation District boundaries therefore all maintenance, repair and replacement of the sanitary sewer collection system is the responsibility of Southgate.

The Sanitation District is also partial owner and has operational responsibility for the Big Dry Creek Interceptor (BDCI). The BDCI is a large sanitary sewer that conveys all the District's collected wastewater flow. The BDCI extends from a connection downstream from the Colman Tunnel outlet to the South Platte Water Renewal Partners Treatment Plant that is located at West Dartmouth Avenue and South Santa Fe Blvd. The BDCI ranges in size from 42-inch to 60-inch diameter. The total length of the interceptor is 20,742 lineal feet (3.93 miles). The Sanitation District is responsible for the operation and maintenance of the BDCI. Costs incurred by the Sanitation District in this role are reimbursed through an account managed by the South Platte Water Renewal Partners. The account is funded from a fee charged to each customer contributing sanitary flow to the BDCI which includes Southgate, South Arapahoe, Cherry Hills Village, and a limited number of City of Englewood customers.

The Water District had operational revenue of \$2.15 million in 2019. These revenues were collected from rates & service charges, interest, plan review/inspection fees and other income. Capital revenue totaled \$0.94 million from tap fees. Operational expenditures were \$2.05 million along with \$2.62 million of capital expenditures. Capital expenditure in excess of capital revenue was funded from capital reserves.

The Sanitation District had operations and maintenance revenue of \$2.56 million in 2019. These revenues were collected from property and specific ownership taxes, rates & service charges, interest, plan review/inspection fees and other income. Capital revenue totaled \$1.1 million from tap fees and interest from a loan to the City of Englewood. Operational expenditures were \$1.32 million along with \$7.12 million of capital expenditures. Capital expenditure in excess of capital revenue was funded from capital reserves. Notably, in 2019, the largest capital project ever undertaken by the Sanitation District, the Colman Tunnel Rehabilitation Project, was successfully constructed with final site restoration expected to be completed in early 2020.

The Southgate Districts continue to operate from a position of financial strength. Both Districts operate within a sustainable year-to-year balance between operating revenues and operating expenditures. Capital reserves continue to be healthy and enable the Districts to self-fund our proactive capital program to rehabilitate/replace our system infrastructure as it ages without debt financing.

Recent master planning of both the water and sanitation systems has provided the groundwork for understanding the condition of our infrastructure, allowing us to efficiently plan for future capital projects to maintain the high level of service to our customers that is at the forefront of our mission.

Our industry-leading Geographic Information System (GIS) based asset management systems were further enhanced in 2019. Proactive asset management is the platform that links together knowledge of our infrastructure and its condition, master planning, ongoing system maintenance and repair, and future cost needs.

The future operational and capital needs that arise from the planning and asset management processes are plugged into the Districts' financial models to ensure that the rates, fees, and charges set by the Boards of Directors each year are in line with our cost of service, planned improvements, and the Districts' continued financial viability.

In 2019, the Districts experienced some change within our engineering and operational staff. As often is the case, these changes provided opportunity to rethink how we staff our operations and led to some creative and streamlined approaches. These allowed us to maintain an excellent response record to customers, builders, contractors, and community partners while recognizing operational cost efficiencies.

Both Districts strive to provide excellent service that meets the needs of every customer in a timely manner. In fact, this is Goal #1 in our Strategic Plan. In 2019, the Districts established a Customer Service/Communications Coordinator to improve our responsiveness to customer concerns as well as our ability to resolve customer issues quickly, courteously, and creatively. All staff members received customer service training. And in 2019, we began a process to gauge customer satisfaction that we hope to roll out in 2020.

Finally, implementation of the 2018-2020 Strategic Plan continued in robust fashion, with 80 of the 81 identified Action Items addressing six Strategic Goal Areas having been completed or initiated. The Strategic Plan serves as a guide for Districts staff to ensure that their everyday actions, as well as both short- and long-term objectives, are aligned and consistent with the Mission and Vision as collaboratively developed by our Boards and staff.

Financials:

Southgate Water District

Operations Revenue

The primary source for operational revenue to Southgate Water District is through a monthly service charge applied to all customers that is included in their monthly billing from Denver Water. The 2019 monthly service charge was not increased from 2018. For a standard residential ¾" service connection, the monthly charge was \$7.95, with increasingly higher charges assessed for increasing tap size connections.

Interest from capital reserve fund investments is an important supplemental source of District income, with smaller revenue contributions deriving from plan review and inspection fees and other income.

<u>Revenue Source</u>	<u>Budgeted Revenue</u>	<u>Actual Revenue</u>
Rates & Service Charges	\$1,578,804	\$1,564,560
Interest Income	\$620,000	\$550,287
Plan Review/Inspection Fees	\$10,000	\$32,005
Other Income	\$10,000	\$6,250
TOTAL REVENUES	\$2,218,804	\$2,153,102

Capital Revenue

Capital Revenue is provided through assessment of system connection fees (aka, tap fees) to new customers at the time they request service connection to Southgate's infrastructure. Capital revenues are directed into the District's capital reserve fund to be used for future capital projects. Capital projects include rehabilitation, replacement, and improvements of infrastructure assets before they reach the end of their useful life. Capital projects improve system reliability and increase system capacity where warranted.

<u>Revenue Source</u>	<u>Budgeted Revenue</u>	<u>Actual Revenue</u>
Tap Fees	\$1,100,000	\$935,000

Operations Expenditures

Operational expenses are divided into three main categories. *Office & Administration* expenses include such items as: office expenses, software, subscriptions, information technology & systems, insurance accounting & auditing, legal services, and utilities. *Employee Expenses & Subconsultant* expenses include: employee salary and benefits, training, director fees, and engineering subconsultant fees. *Maintenance and Repair* expenses include subcontractor expenses, parts & supplies, equipment rental and other direct charges related to maintaining and repairing water system infrastructure. A summary of District budgeted and actual operational expenses for 2019 is as follows:

<u>Expenditure Source</u>	<u>Budgeted Amount</u>	<u>Actual Amount</u>
Office & Administration	\$467,000	\$364,443
Employee Expense & Subconsultant	\$894,000	\$742,000
Maintenance & Repair	\$500,000	\$944,293
TOTAL EXPENDITURES	\$1,861,000	\$2,050,736

As shown, actual expenditures exceeded the budgeted amount by approximately \$293,000 dollars. The cause for the overrun is directly attributable to a major transmission pipeline leak and repair that occurred in early April 2019 and cost over \$400,000.

Capital Expenditures

Capital expenditures result from engineering expenses and construction costs associated with capital projects to rehabilitate and replace system infrastructure, purchase of capitalized (large) equipment, acquisition of easements, and expenses associated with water resource assets. A summary of District budgeted and actual capital expenses for 2019 is as follows:

<u>Expenditure Source</u>	<u>Budgeted Amount</u>	<u>Actual Amount</u>
Capital Projects	\$4,350,000	\$2,622,116
Capitalized Equipment	-	-
Easements	\$50,000	-
Water Resources	\$12,500	\$2,470
TOTAL EXPENDITURES	\$4,412,500	\$2,624,586

Actual expenditures were less than what was anticipated and budgeted due to a lower than expected bid for the 2019 Waterline Replacement Project, the delay of the Belleview and 1-25 Waterline Project, and savings on easements and water resources budget items.

Southgate Sanitation District

Operations Revenue

There are three primary sources for operational revenue to Southgate Sanitation District. The first source of revenue is a property tax mill levy of 0.554 mill. This mill levy has been temporarily reduced the last few years to accommodate the limitations of TABOR. The second source is through annual service charge applied to all customers that is included in their yearly billing from the City of Englewood for sanitary sewer service. This service charge revenue is disbursed to the District each year in April or May. The 2019 sanitation service charge was not increased from 2018. For a standard residential ¾ inch service connection, the annual charge was \$36.60, with increasingly higher charges assessed for increasing tap size connections. Interest from capital reserve fund investments is the third primary source of District income.

Additional revenue sources for the Sanitation District include specific ownership tax from vehicle registrations, plan review and inspection fees, and other income.

<u>Revenue Source</u>	<u>Budgeted Revenue</u>	<u>Actual Revenue</u>
Property Taxes	\$1,014,066	\$1,013,402
Rates & Service Charges	\$880,000	\$809,997
Interest Income	\$600,000	\$634,467
Specific Ownership Taxes	\$70,985	\$80,282
Plan Review/Inspection Fees	\$10,000	\$9,735

<u>Other Income</u>	<u>\$10,000</u>	<u>\$5,474</u>
TOTAL REVENUES	\$2,585,051	\$2,563,357

Capital Revenue

Capital Revenue is provided through assessment of system connection fees (aka, tap fees) to new customers at the time they request service connection to Southgate's infrastructure . Capital revenues are directed into the District's capital reserve fund to be used for future capital projects. Capital projects include rehabilitation, replacement, and improvements of infrastructure assets before they reach the end of their useful life. Capital projects improve system reliability and increase system capacity where warranted. Also included in this revenue area is interest income from a loan provided to the City of Englewood (COE).

<u>Revenue Source</u>	<u>Budgeted Revenue</u>	<u>Actual Revenue</u>
Tap Fees.	\$1,100,000.	\$1,057,848
<u>Interest on COE Loan</u>	<u>\$43,310</u>	<u>\$43,310</u>
TOTAL REVENUES	\$1,143,310	\$1,101,158

Operations Expenditures

Operational expenses are divided into three main categories. *Office & Administration* expenses include such items as: office expenses, software, subscriptions, information technology & systems, insurance accounting & auditing, legal services, and utilities. *Employee Expenses & Subconsultant* expenses include: employee salary and benefits, training, director fees, and engineering subconsultant fees. *Maintenance and Repair* expenses include subcontractor expenses, parts & supplies, equipment rental and other direct charges related to maintaining and repairing water system infrastructure. A summary of District budgeted and actual operational expenses for 2019 is as follows:

<u>Expenditure Source</u>	<u>Budgeted Amount</u>	<u>Actual Amount</u>
Office & Administration	\$476,011	\$338,043
Employee Expense & Subconsultant	\$854,200	\$723,097
<u>Maintenance & Repair</u>	<u>\$478,000</u>	<u>\$259,333</u>
TOTAL EXPENDITURES	\$1,808,211	\$1,320,473

Capital Expenditures

Capital expenditures result from engineering expenses and construction costs associated with capital projects to rehabilitate and replace system infrastructure, purchase of capitalized (large) equipment, acquisition of easements, and expenses associated with water resource assets. A summary of District budgeted and actual capital expenses for 2019 is as follows:

<u>Expenditure Source</u>	<u>Budgeted Revenue</u>	<u>Actual Revenue</u>
Capital Projects	\$11,600,000	\$6,851,412
<u>Capitalized Equipment</u>	<u>\$300,000</u>	<u>\$264,500</u>
TOTAL EXPENDITURES	\$11,900,000	\$7,115,912

Actual expenditures were less than what was budgeted due to delayed billings for the Colman Tunnel Rehabilitation Project as that project continues beyond its projected 2019 completion, into 2020. Despite the extended project schedule, the Tunnel Project is expected to be completed for less than the contract amount and will result in savings to the District.

ENGINEERING

Development Plan Review

With the departure of the Districts' engineering manager in early 2019, the development review process was streamlined through the use of engineering consultant services rather than hiring a full-time replacement for the position. This approach yielded the dual benefit of saving resources while reducing turnaround times on plan review. Kahlich Consulting was the primary engineer performing development reviews for the Districts in 2019. Reviews were typically accomplished within eight business days or less from the date they were submitted to the Districts. A total of eleven development projects were reviewed and approved in 2019. Four additional projects were reviewed in 2019 with approval expected in 2020. Several projects have been slowed due to the COVID-19 Pandemic however it is expected all of these projects will pick back up when appropriate.

Engineering Consultant Services

In addition to development review, engineering consultant services were retained for engineering design of capital projects, as well as for miscellaneous engineering needs when such needs arose. Current engineering workload does not make an "in house" engineer feasible. The District relies on outside consulting firms to provide engineering resources for large capital projects as well as for miscellaneous engineering reviews. These firms provide a large amount of resources that the Districts pay for only when utilized.

Kahlich Consulting provided design and/or construction engineering services for the following capital projects:

- 2019 Water Project (design & construction)
- 2020 Water Project (design)
- I-25 & Belleview Water Main Replacement Project (design)

Burns and McDonnell Engineering Co. also provided engineering services for capital projects, as follows:

- 2017 Sewer Project (construction)
- 2018 Water Project (construction)
- Colman Tunnel Rehabilitation Project (Owner's Engineer services during design and construction)
- 2019 Manhole Rehabilitation Project (design and construction)

In addition to these defined capital projects, Burns and McDonnell provided engineering services to assist the Districts on other issues and projects, some of which may evolve into future capital projects. These include:

- Forensic analysis of the April 2019 failure of an 18-inch transmission main in Yosemite Street

- Evaluation of alternatives for possible rehabilitation or replacement of the transmission mains in Yosemite Street
- Evaluation and segment prioritization for relining of the BDCI
- Construction oversight of the Ridgeway Filing GG Pump Station (constructed by others)

ADMINISTRATION

The Southgate Water and Sanitation Districts utilize extremely efficient and transparent processes and procedures in all aspects of the business administrative activities of the Districts. Separate records, payables, and checks are created for each District. Shared expenses are split and create separate payables for each District. All bank accounts and investments are held separately between the Water District and the Sanitation District with no comingling of funds. The majority of the administrative functions are taken on by the Districts Accounting and Administrative Manager. Under the supervision of the General Manager, she is responsible for the following administrative functions:

- Accounts Payable/Receivable
- New Employee Enrollment in Health Insurance, Workman's Comp, Retirement Benefits etc.
- Working Directly with ANB Bank to ensure Investment Transactions are processed and all accounts are reconciled.
- Employee Payroll
- Contributions to the Employee's Retirement Plan
- Providing all monthly financial information to the Districts Consulting Accounting Firm to create financials for the Board of Directors.
- Yearly Reconsolidations to prepare for the Annual Audit
- Work with the independent auditor in the process of the yearly audit for both Districts.
- Creation of detailed financial reports for the Board of Directors monthly meeting.

The General Manager elicits assistance in Human Relations functions from the Accounting and Administrative Manager as well.

In 2019 the Southgate Districts implemented an all-inclusive Wellness Program that was extremely well received by District Staff. This allows for a gamut of options and opportunities for employees to find their own path to wellness' and assist in the work-life balance that benefits the Districts with well-rounded and satisfied employees.

The Districts utilize a CPA firm to assist staff in the preparation of the Budgets and Monthly Financial Reports for the Board of Directors. This service is provided by Mr. John Simmons CPA of Simmons & Wheeler, P.C.

The annual independent required audit is currently performed by Haynie and Company CPAs. They will be on site for at least 3 full days in the late spring/early summer and complete the audit in their office. Formal audited financial statements as well as a Management Letter will be provided to the Board and other interested parties following the yearly audit. The last four years have resulted in a "clean" opinion with high marks for accuracy, organization, and proper documentation.

The Southgate Water and Sanitation Districts utilize Mr. Russel Dykstra of Spencer Fane LLP for legal advice and representation. Mr. Dykstra attends all Board Meetings and is available for any District related legal questions, issues, and advice.

OPERATIONS

The Operations Staff consists of the Operations Manager and eight operators (currently down two FTE;s). The operators daily work consists of the operation and maintenance of the water distribution system and the sanitary sewer collection system. An organization chart is included with this report (figure 3). For the Water District, this work includes the flushing of all fire hydrants and blow-off valves in the system (at least once annually) to ensure proper operation of system components, as well as to maintain excellent water quality throughout the system. For the Sanitation District, operations and maintenance efforts are directed towards regular flushing of the sewers to remove deposit buildups and potential clogs, video inspection of the sewers, and inspections of fat, oil, and grease traps that are privately owned and maintained by various commercial enterprises within the District boundaries.

Changes made to the "811" law by the State Legislature in 2018 required all utilities to be reclassified to Tier 1. This reclassification has directly impacted the Southgate Districts, resulting in a dramatic increase in workload for utility locate requests. With these new requirements the Districts are now required to perform a "Positive Response" to each location requests forwarded by the 811 System. A Positive Response is essentially a report back 811 detailing what actions were taken (i.e cleared for excavation, utilities located at the site, request site meeting, etc.). In 2019, the Districts received 8,869 service requests of which 8,456 were related to utility locates (emergency and non emergency). This number has significantly increased since receiving all Tier 1 Requests.

In addition to the aforementioned infrastructure, the Sanitation District is also partial owner and has operational responsibility for the Big Dry Creek Interceptor (BDCI). The BDCI is a large sanitary sewer that conveys all the District's collected wastewater flow as well as all the flow from the Cherry Hills Village Sanitation Districts, the South Arapahoe Sanitation District as well as from direct customers of the City of Englewood that are located close to the line. The BDCI extends from a connection downstream from the Colman Tunnel outlet to the South Platte Water Renewal Partners Treatment Plant that is located at West Dartmouth Avenue and South Santa Fe Blvd. The BDCI ranges in size from 42-inch to 60-inch diameter. The total length of the interceptor is 20,742 lineal feet (3.93 miles). The Sanitation District is responsible for the operation and maintenance of the BDCI. Costs incurred by the Sanitation District in this role are reimbursed through an account managed by the South Platte Water Renewal Partners. The account is funded from a fee charged to each customer contributing sanitary flow to the BDCI which includes the Southgate customers as well as the entities mentioned above.

Significant Achievements:

- Met all operational and safety goals.
- Responded quickly and effectively to several major emergencies, limiting property damage and saving costs to the Districts.
- Increased efficiency through use of trained operators to answer phone calls and determine/direct appropriate responses.
- Emphasized continued employee training, resulting in certification of all water distribution and sanitary sewer collection system operators.

Made significant strides in cross-training operations staff across all the varied responsibilities unique to the water and sanitation systems we operate and maintain in order to make our staff more flexible and more responsive to the Districts' needs while bolstering each staff member's experience, technical capability and confidence.

- All field employees have received or are on track to received Commercial Driver's Licensure.

Key Statistics:

- 696 Water & Sewer Field Locates Performed: (8,456 Requests)
- 311,520 Linear Feet of Sanitary Sewer Video Inspected:
- 1011 Fats, Oils, and Grease Traps Inspected:
- 258,720 Linear Feet of Sanitary Sewer Flushed & Cleaned:
- 12 Water Main Repairs Performed:

SAFETY

The Districts' safety culture continues to grow in a positive direction. In 2019 we had zero reportable incidents and an excellent Workman's Comp EXP MOD of 0.77. We entrusted one of our key field staff with the important responsibility of being our dedicated Safety Officer, and he led the staff's commitment to "Safety First" through regularly scheduled safety meetings and a consistent emphasis to follow safety protocols. His experience in the field has helped greatly

The District received a Platinum Level Safety Award in 2019 from the World Environment Federation (WEF) and experienced reduced insurance premiums as a result of our safe work history.

The District has identified an employee that is responsible for directing Health and Safety Programs. Regular newsletters and safety meetings are organized and held with all employees in attendance.

DISTRICT ASSETS

System Information:

Water District:

- 240 miles of 4-inch to 36-inch diameter water main
- Four water storage tanks totaling 10 million gallons
- Two pump station
- 37 pressure-reducing valve stations
- 2,160 fire hydrants
- 4,750 line valves
- 50+ interconnections with Denver Water

Sanitation District:

- 250 miles of 6-inch to 42-inch sewer pipe and interceptors
- 7,230 manholes
- 7,600 linear feet of tunnel (Colsman Tunnel)
- The Sanitation District is also partial owner and has operational responsibility for the Big Dry Creek Interceptor (BDCI). The BDCI is a large sanitary sewer that conveys all the District's collected wastewater flow. The BDCI extends from a connection downstream from the Colsman Tunnel outlet to the South Platte Water Renewal Partners Treatment Plant that is located at West Dartmouth Avenue and South Santa Fe Blvd. The BDCI ranges in size from 42-inch to 60-inch diameter. The total length of the interceptor is 20,742 lineal feet (3.93 miles). The Sanitation District is responsible for the operation and maintenance of the BDCI. Costs incurred by the Sanitation District in this role are reimbursed through an account managed by the South Platte Water Renewal Partners. The account is funded from a fee charged to each customer contributing sanitary flow to the BDCI.

CAPITAL PROJECTS

Capital projects are funded from each District's capital reserve fund and serve to rehabilitate or replace each District's infrastructure assets (e.g. pipes, valves, fittings, manholes, instrumentation and control (I&C) systems, and other system appurtenances). Capital projects are timed and driven by our knowledge of system condition, through repair history, condition assessments, master planning, and our asset management systems. Our goal is to extend and maximize the life of our system components, while also allowing us to recognize when the end of each asset's useful life is approaching. This allows for planned and efficient rehabilitation or replacement of the component(s) hopefully before failure, rather than being forced to deal with failing infrastructure in a more costly emergency situation.

A map showing the location of the capital projects that were planned, designed, and/or constructed by each District during 2019 is shown on the next page, followed by short descriptions of each capital project. It should be noted that the Project Costs shown, are total project costs, portions of which may have been incurred in earlier years or may be partially incurred in 2020.

In 2016 a comprehensive Master Plan was created for the Water District as well as for the Sanitation District. This plan consisted of a complete evaluation of all assets of the Districts. The assets were graded using many parameters including age, type of material, records of failure, and physical inspection on a representative sample of the system materials. A significant portion of the water distribution system north of County Line Road is AC or Asbestos Cement Pipe. This material does not pose any health risk when it is not disturbed. Replacing and removing this type of pipe is difficult and becoming more expensive due to removal and disposal requirements. This pipe has received priority for ultimate replacement. Denver Water is currently undergoing a Lead Reduction Program. The Southgate Water District has performed a system evaluation and does not have any known lead service lines.

System asset information was coupled with an evaluation of Likelihood of Failure LOF as well as Consequence of Failure COF. The results of the complete study were utilized to create a 20-year Prioritized Capital Program. This Capital Project Plan was then merged with the Districts 20-Year Financial Plan to ensure that the Districts will be funded properly for the work to be completed when scheduled.

Southgate Water District

2019 Water Project - Construction

Project Description: Replace approximately 14,000 lineal feet of 4-inch to 12-inch distribution main, 74 isolation valves, 18 fire hydrants, and 227 service line connections. Abandon-in-place or remove existing water main and appurtenances.

Project Location: Walnut Hills Subdivision; north of Dry Creek Road and south of Walnut Hills Elementary, between Spruce St and Yosemite St.

Project Justification: High priority project to replace asbestos-cement pipe nearing the end of their useful life, as recommended by the current Southgate Water District Master Plan.

Project Cost:

Engineering:	\$145,506.06
Construction Bid/Contract Amount:	\$2,443,617
Actual Construction Cost:	\$2,361,201

2020 Water Project – Planning & Design

Project Description: Perform planning and design to replace approximately 19,000 lineal feet of 4-inch to 12-inch distribution main, 87 isolation valves, 22 fire hydrants, and 363 service line connections. Construction planned for Spring/Summer 2020.

Project Location: Site 1: Walnut Hills; south of Arapahoe Rd, between Yosemite St & Quebec St
Site 2: Palos Verdes; S Jasmine St between Orchard Rd and Maplewood Ave.

Project Justification: High priority project to replace asbestos-cement pipe nearing the end of their useful life, as recommended by the current Southgate Water District Master Plan.

Project Cost:

Engineering:	\$147,750.19
Construction Bid:	\$3,437,295.00

Bellevue Waterline Replacement – Planning & Design

Project Description: Perform planning and design for approximately 80 lineal of 12-inch water main, one fire hydrant, and 5 plugs and caps installed where existing mains are to be removed and abandoned. Construction planned for Spring 2020.

Project Location: E Bellevue Ave at Intersections with Quebec St., DTC Parkway, and I-25 northbound off-ramp

Project Justification: High priority project to replace asbestos-cement pipe nearing the end of their useful life, as recommended by the current Southgate Water District Master Plan, and coordinated to precede interchange work by CDOT to minimize traffic impacts and reduce project costs.

Project Cost: Engineering: \$49,746.10
 Construction Bid: \$242,000.00

Southgate Sanitation District

Colsmen Tunnel Rehabilitation Project- Construction

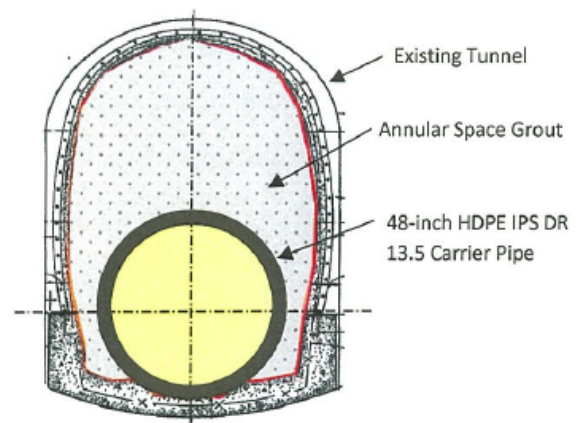
**** Winner of the 2019 Colorado Contractors Association Trenchless/Rehab/Sliplining Award ****

Project Description: Progressive design-build delivery for rehabilitation of a 42-year old tunnel that is a critical asset for the District, conveying all the District’s collected wastewater to the Big Dry Creek Interceptor. The 1.5 mile tunnel was sliplined using 48-inch diameter, fusion-welded high-density polyethylene (HDPE) pipe. Sliplining took place while wastewater flow continued in the tunnel. The HDPE pipe, weighing up to 1.7 million pounds, was pulled into and through the tunnel with a maximum pullback force of 650,000 pounds using horizontal drilling equipment and considerable innovation by the project team. Following placement of the HDPE liner, the annular space between the liner and the tunnel walls was filled with 7,380 cubic yards of cementitious grout, using three existing air shafts and nine boreholes drilled from the ground surface above the tunnel. Additional work included portal structure rehabilitation, new vehicle access bridge over Little Dry Creek, and civil site improvements (grading, parking, fencing, landscaping, stormwater quality, and security). Final completion is expected in April 2020.

Project Location: Inlet Portal: District headquarters near intersection of Orchard Rd and Long Rd
 Outlet Portal: Near intersection of Orchard Rd and Clarkson St

Project Justification: Most critical asset owned by the District and the absence of emergency alternatives meant that the tunnel could not be allowed to fail. Improving tunnel integrity and useful life was a high priority Master Plan recommendation.

Project Cost: Engineering Oversight: \$568,860
 Design/Preconstruction: \$1,166,810
 Slipline & Grout: \$10,320,030
 Civil Site Improvements: \$2,761,470
 TOTAL PROJECT COST: \$15,079,000



2019 Manhole Rehabilitation Project – Planning & Design/Construction

Project Description: Perform planning, design, and construction for structural rehabilitation of 41 manholes scattered across the District. Work included stopping active water infiltration through injection of hydrophilic polyurethane resin and hydrophilic cements, removal of loose wall material, brick, and existing failed liners, and wall, invert, and bench restoration with a build back of calcium aluminate cements. Existing stairs were removed to provide safer entry through use of ladders. Construction planned for Spring 2020.

Project Location: E Belleview Ave at Intersections with Quebec St., DTC Parkway, and I-25 northbound off-ramp

Project Justification: Through regular sanitary sewer inspections and line cleaning, District staff identified a number of manhole structures showing structural defects, water infiltration, or other significant problems. Many of the manholes are over 50 years old. Rehabilitation will extend manhole life for another 50 years or more.

<i>Project Cost:</i>	Engineering:	\$89,920
	Construction Bid:	\$412,360

SAFETY

The Districts' safety culture continues to grow. In 2019 we had zero reportable incidents and an excellent Workman's Comp EXP MOD of 0.77. We entrusted one of our key field staff with the important responsibility of being our dedicated Safety Officer, and he led the staff's commitment to "Safety First" through regularly scheduled safety meetings and a consistent emphasis to follow safety protocols.

The District received a Platinum Level Safety Award in 2019 from the World Environment Federation (WEF) and experienced reduced insurance premiums as a result of our safe work history.

ADMINISTRATION

The Southgate Water and Sanitation Districts utilize extremely efficient and transparent processes and procedures in all aspects of the business administrative activities of the Districts. The majority of the administrative functions are taken on by the Districts Accounting and Administrative Manager. Under the supervision of the General Manager, she is responsible for the following administrative functions:

- Accounts Payable/Receivable
- New Employee Enrollment in Health Insurance, Workman's Comp, Retirement Benefits etc.
- Working Directly with ANB Bank to ensure Investment Transactions are processed and all accounts are reconciled.
- Employee Payroll

- Contributions to the Employee's Retirement Plan
- Providing all monthly financial information to the Districts Consulting Accounting Firm to create financials for the Board of Directors.
- Yearly Reconsolidations to prepare for the Annual Audit
- Work with the independent auditor in the process of the yearly audit for both Districts.
- Creation of detailed financial reports for the Board of Directors monthly meeting.

The General Manager elicits assistance in Human Relations functions from the Accounting and Administrative Manager as well.

In 2019 the Southgate Districts implemented an all-inclusive Wellness Program that was extremely well received by District Staff. This allows for a gamut of options and opportunities for employees to find their own path to wellness' and assist in the work-life balance that benefits the Districts with well-rounded and satisfied employees.

The Districts utilize a CPA firm to assist staff in the preparation of the Budgets and Monthly Financial Reports for the Board of Directors. This service is provided by Mr. John Simmons CPA of Simmons & Wheeler, P.C.

The annual independent required audit is currently performed by Haynie and Company CPAs. They will be on site for at least 3 full days in the late spring/early summer and complete the audit in their office. Formal audited financial statements as well as a Management Letter will be provided to the Board and other interested parties following the yearly audit. The last four years have resulted in a "clean" opinion with high marks for accuracy, organization, and proper documentation.

The Southgate Water and Sanitation Districts utilize Mr. Russel Dykstra of Spencer Fane LLP for legal advice and representation. Mr. Dykstra attends all Board Meetings and is available for any legal related question or issue.

TECHNOLOGY

The Southgate Districts are a leader in the use of state-of-the-art technology to manage our infrastructure systems. We use both Cityworks and Sedaru software through an integrated GIS-based platform to create a completely paperless environment for work and service order creation, processing and recordkeeping. The integrated system can bring all the asset management information as well as the current service and work order processes onto one site for immediate access, in the office or out in the field. All field activities are recorded using iPads and enable real-time updating of all infrastructure assets. The analytics that are created within Sedaru can be used to benchmark Districts activities against industry standards and averages. As a result, we have made several advantageous operational changes that originated from data derived from these systems.

In 2019 we continued to build our technical capabilities with the goal of further optimizing our operations. The following are two examples:

- Within Cityworks, the "Store Room" module was implemented. It has a real-time inventory system for large materials and parts that the field crews used daily. The system allows for a snapshot of inventory at any time and provides alerts to re-supply critical repair parts.

- The “Smart CIP” program within Sedaru will allow the Districts to embed the overall Master Plan Capital Improvement Program (CIP) with current real data regarding system maintenance and repairs. This will result in a continuously updated and improved “Master Plan”, lengthening the time before another major master planning effort will be required.

In early 2020, the Districts added a Technical Support Specialist/GIS Technician to assist the Geospatial Technology and Infrastructure Asset Manager, as well as to serve as a backup to our current Health and Safety Officer. In those roles, he will assist field personnel with their use of the technology, promote continued commitment to our safety culture, and reinforce front office personnel.

SERVICE PARTNERS/COMMUNITY STAKEHOLDERS

Principally through the direct involvement of our General Manager, David Irish, the Districts maintain a strong presence in the community, both with our service partners, such as Denver Water, and with governmental officials from the cities that we serve. Specifically,

- Mr. Irish is a regular participant at monthly meetings of the Denver Water Distributor Forum. Southgate Water District is one of 65 Distributor Districts outside the Denver city limits that contract with Denver Water for the water they distribute to their customers. The Forum is the primary resource for coordinating with Denver Water on many issues. Participation in the monthly meetings allows us to stay current on issues that can affect all areas of District operations. In addition, a District representative regularly attends Denver Water Board meetings and those of the Denver Water Distributors Conservation Committee to ensure that we stay informed and involved in the decision-making process of our critical service partner on the issues that affect the District and our customers.
- During 2019, Mr. Irish and our legal counsel, Russell Dykstra with Spencer Fane, participated in several meetings with the City of Englewood to gain a better understanding of how the City tracks the accounts of Southgate Sanitation District customers. Our customers pay an annual bill to Englewood for treatment services of the District’s wastewater at the South Platte Water Renewal Partners Treatment Plant. Specifically, the District requested greater transparency and accounting for the City’s “pass through” payments of sanitation service charges assessed by the District to its customers, which are also collected by the City in its annual billing. The meetings proved to be productive in providing the detailed clarity that Southgate was seeking and also in reaching agreement that the existing service contract between the two entities is outdated. Both entities agreed to work cooperatively on a new, updated agreement that would be satisfactory to both the City of Englewood and Southgate Sanitation District. This will be pursued in 2020.
- Mr. Irish and his staff regularly attend Council meetings of the cities included within the Districts’ boundaries and also meet with relevant staff of those communities to bring stakeholders together to support our large infrastructure replacement projects. This outreach allows us to better understand the cities’ planned projects so that reduced disruption to the public and increased project efficiencies can be achieved through coordinated project planning when possible.

STRATEGIC PLAN

In 2017, the Board and District staff embarked on development of a new strategic plan for the Districts. This effort resulted in the Districts' Strategic Plan for 2018-2020 (the Plan), which is the product of a thoughtful and collaborative process involving all members of our two Boards and many of our staff. Through the use of a nationally recognized self-assessment tool and a series of facilitated working sessions, the Plan captured insights and experience, enthusiasm and dedication, and even the dreams and visions of our Boards and staff on how to improve service to our customers and partners.

In the Plan, we articulate both our Mission and our Vision - what we currently do and where we are headed - from which the Plan takes its direction. Our Strategic Goals support both the Mission and Vision and articulate what is most important to the Districts in the next two to three years. Each Strategic Goal has specific Objectives that explain how we will achieve each goal. The Plan is implemented through a number of specific Action Items for each Objective. The Action Items, developed by District staff, set the framework for how work is performed and how that performance is measured. Some Action Items are one-time actions to improve work processes, while other Action Items are ongoing actions guiding our work.

Our overall progress on Action Items through the end of 2019 is summarized below for the six Strategic Goal Areas that were identified during the Plan Development. As we move into 2020, 53 of the 81 total Action Items have been completed or are ongoing actions, and 27 of them have been started and will be completed in 2020. The last of the 81 Action Items will be started in 2020.

<u>Strategic Goal Area</u>	<u>Total Action Items</u>	<u>Completed and Done</u>	<u>Completed and Ongoing</u>	<u>in Progress</u>
Customer Service	9	1	3	5
Financial Viability	12	4	3	5
Organizational Best Practices	12	1	8	3
Reliable/Resilient Infrastructure	23	7	13	2
Employee Development	15	2	3	10
Collaborative Partnerships	10	1	7	2
Total	81	16	37	27

Figure 2

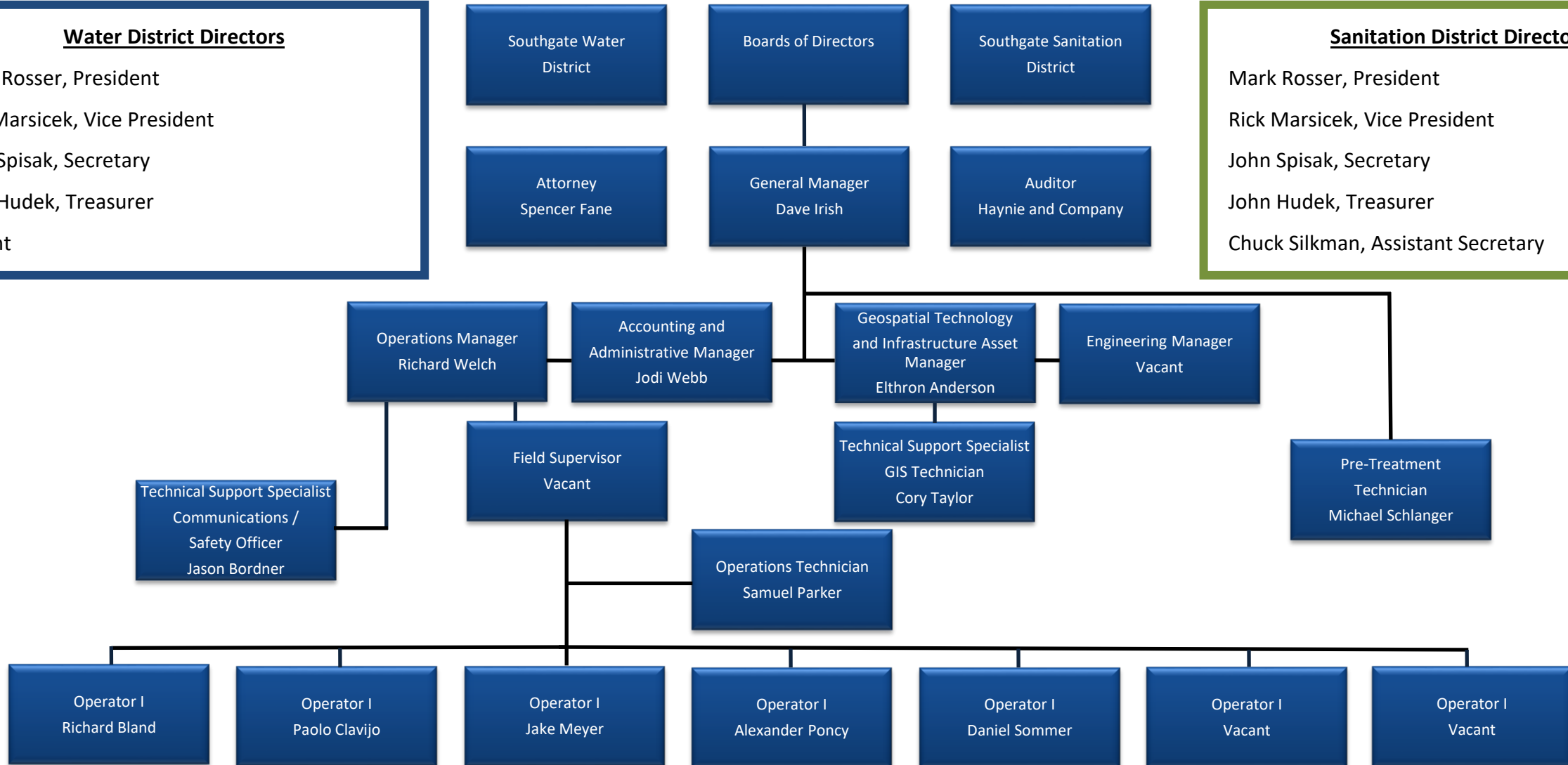
June 2020

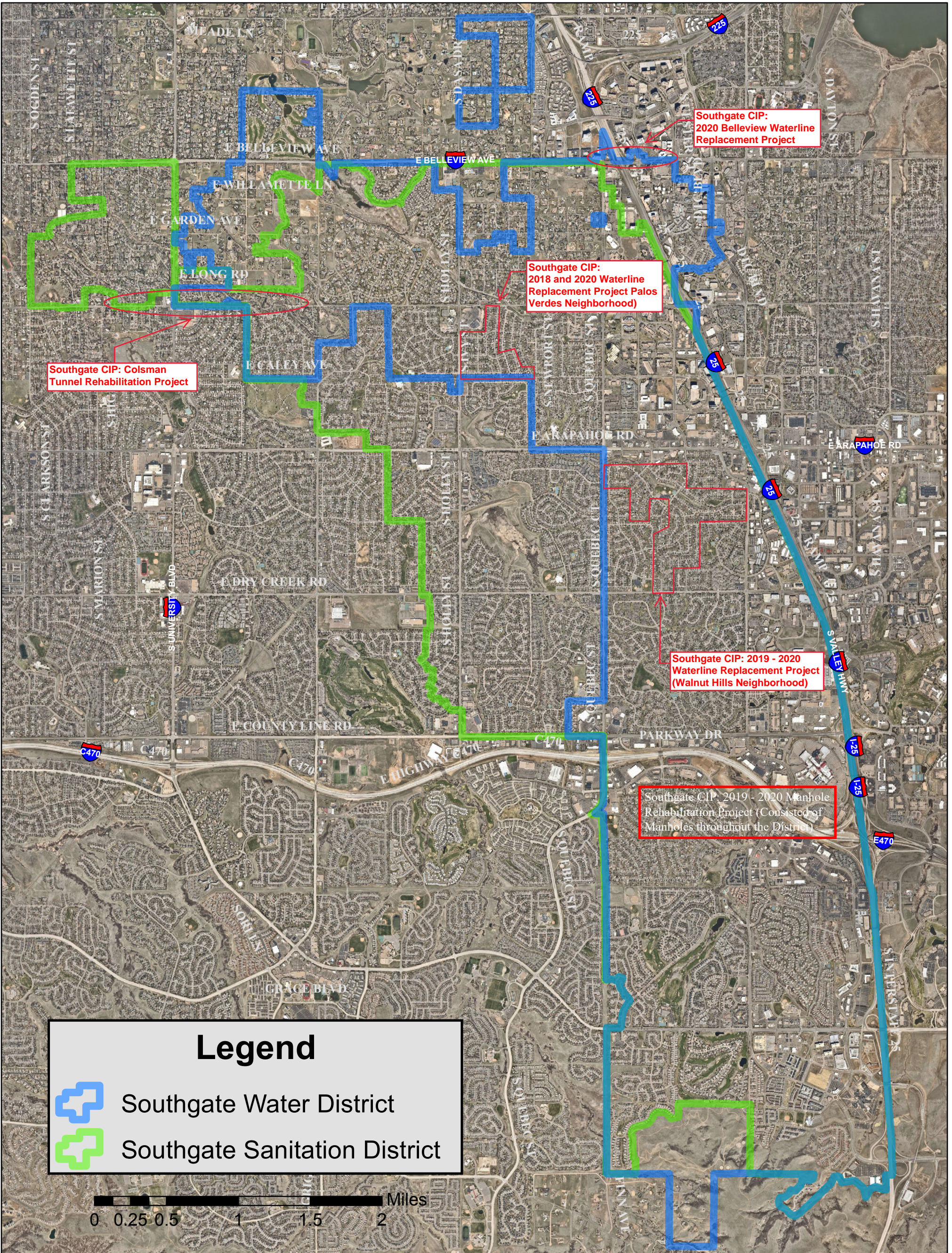
Water District Directors

Mark Rosser, President
Rick Marsicek, Vice President
John Spisak, Secretary
John Hudek, Treasurer
Vacant

Sanitation District Directors

Mark Rosser, President
Rick Marsicek, Vice President
John Spisak, Secretary
John Hudek, Treasurer
Chuck Silkman, Assistant Secretary





Legend



-  Southgate Water District
-  Southgate Sanitation District



Figure 3

Southgate 2019 Capital Project Location Map