

MINUTES OF A REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
MOUNT WERNER WATER & SANITATION DISTRICT
HELD AT THE OFFICE OF THE DISTRICT
8:00AM Thursday, January 21, 2010

DIRECTORS PRESENT: Jon Halverson, Steve Gale, Nancy Mayer, Jim Randall, Kathy Connell
DIRECTORS ABSENT: none
STAFF PRESENT: Jay Gallagher - General Manager
Tom Sharp, General Counsel

OTHERS PRESENT: None

I. ESTABLISHMENT OF QUORUM AND CALL TO ORDER

Mr. Halverson stated that a quorum was present and called the meeting to order at 8:05A.M.

II. APPROVAL OF AGENDA FOR MEETING

Mr. Halverson asked if there were any changes in the proposed agenda. There were none.

MOTION: To approve the agenda; APPROVED: Vote 5-0.

III. APPROVAL OF SUBMITTED MINUTES OF PREVIOUS MEETINGS

Mr. Halverson asked for any editions or changes in the November 19th, 2009 minutes. There were none.

MOTION: To approve the minutes of the November 19th, 2009 regular board meeting; APPROVED: Vote 4-0

IV. PUBLIC HEARINGS/PUBLIC INPUT AND COMMENT

There was no public comment.

V. TREASURER'S REPORT

Mr. Gallagher presented the estimated 2009 Actual vs 2009 Budget. Operating revenues are below budget because 2009 usage was almost flat and below projections. Mr. Gallagher commented that the Laurel Lane Tank deferral had required staff to switch gears in late spring and incur unanticipated expenses associated with master planning and designing other South District Improvements including a new pump station at Alpenglow and the Columbine Drive strategic supply main for construction in 2010. The Board accepted the Treasurer's report.

VI. DIRECTOR AND COMMITTEE REPORTS

A. Investments Portfolio

Mr. Gallagher commented that the District had rolled a \$0.5M CD with the Mountain Valley Bank for two years and a \$0.5M CD at Yampa Valley Bank for one year. Mr. Gallagher commented that rates were expected to rise in the second half of the year. The Board accepted the investment report.

B. Amendment to 2010 Budget

Mr. Gallagher requested the Board to consider an amendment to the 2010 Budget to appropriate an additional \$700,000 for the purpose of constructing the Alpenglow Pump Station originally scheduled for 2011. He said that the project had progressed more quickly than expected. The Board agreed that, as a fire flow improvement, the project should receive high priority. Mr. Gallagher reported that the District had followed State Statute budget amendment rules by publishing notice of the Budget Amendment meeting in the local paper January 10th and by offering the following resolution for adoption by the Board:

“WHEREAS, the MOUNT WERNER WATER AND SANITATION DISTRICT, Routt County, Colorado (the "District"), is a Special District of the State of Colorado operating under rules and regulations according to the Colorado Revised Statutes; and

WHEREAS, pursuant to Title 29 of the Colorado Revised Statutes pertaining to Local Government, the Board of Directors of the District on November 19, 2009 approved the District's 2010 Budget and voted to appropriate funds for the line items therein; and

WHEREAS, pursuant to Title 29-1-109 of said State Statute, the Board of Directors of the District now wishes to amend the approved 2010 Budget; and

WHEREAS, pursuant to Title 29-1-106 of said State Statute, the Board of Directors of the District published public notice of hearing on January 3, 2010 to amend the approved 2010 Budget;

NOW, THEREFORE, BE IT RESOLVED AND ORDERED BY THE BOARD OF DIRECTORS OF THE MOUNT WERNER WATER AND SANITATION DISTRICT that the 2010 Budget is amended as follows:

“To appropriate an additional \$700,000 from District Reserves for the line item ‘Alpenglow Pump Station’ listed in the 2010 Capital Improvements Plan for the purpose of funding construction of said pump station and associated water mains originally scheduled for construction in 2011.”

MOTION: To approve and adopt the above resolution to amend the 2010 Budget. APPROVED: Vote 5-0.

Mr. Gallagher said that he would file a copy of the resolution and the amended 2010 Budget with the Colorado Dept. of Local Affairs.

VII. REPORT OF THE GENERAL MANAGER

A. Fish Creek Reservoir

Mr. Gallagher reviewed the January 1st graph of reservoir levels. The fill level continues to follow the trend of previous years, although accommodation of CWCB requests for maintaining stream flows during the summer and fall resulted in WY2010 beginning at a lower level than in previous years.

B. SB09-087 Compliance

Mr. Gallagher reported that the District was in compliance with the new state law for Special District Transparency, having posted Board and election information on the District website and that of the Special Districts Association and having filed contact information with the Colorado Dept of Local Affairs (DOLA). The District also filed copies of the District boundaries with DOLA and Routt County offices of Assessor and Clerk and Recorder as required.

C. 2009 Capacity Analysis

Mr. Gallagher reported that he had completed the annual water capacity analysis for the District based on an assessment of remaining parcels and lots and proposed redevelopment plans. The latest count of 3,193 EQRs remaining indicates a 68% build-out level and a projected 50% increase in water treatment capacity required to meet peak-day demands at build-out. He stated that capacity analysis indicates that design engineering for two filtration bays should begin in 2014 for bringing additional capacity on line in 2017 assuming that the City will want to end their lease of the capacity of one filtration bay in the same timeframe. Mr. Gallagher assured the Board that the proposed More/Walton Creek wellfield would be developed in the 2030 timeframe or possibly earlier.

D. Community Water Conservation Plan

Mr. Gallagher reported that, in late November, the City had submitted a grant application to the CWCB for \$15,000 to complete the Water Conservation Plan. If the grant is awarded, we expect to have a completed plan to consider for adoption prior to the 2010 irrigation season.

E. South District Water Supply Improvements

These projects will improve the supply of water from the north middle service zone to the south middle service zone with the following benefits: 1) improving the refill rates for the South Tank; 2) providing adequate water supplies to the new Alpenglow pump station; 3) the new pump station will provide improved fire flows to neighborhoods in the south high zone (upper Val D'Isere, Laurel Lane and Anthony's Circle), supply redundancy for the south high zone should there be a break in the main in Ski Trail Lane, and eventually supply a new high zone storage tank.

Mr. Gallagher reported that the District is completing the design work for the Alpenglow Pump Station and is securing easements for associated water mains to support it. The project is scheduled to go out to bid in late February. The Columbine 14-inch water main from Walton Creek Road to Alpenglow (Phase I) has been surveyed and the design work is in progress.

F. Asset Management

Mr. Gallagher reported that he was evaluating asset management software to determine its usefulness for improving management of District operational assets.

VIII. REPORT OF GENERAL COUNSEL

Mr. Sharp reported on the following water rights cases:

A. Nierenberg Case

The District had filed a Statement of Opposition in this case in 2006 because the property owner in Priest Creek had developed a series of water features which impacts flows on Walton Creek upstream of the District's proposed wellfield to the north where the District holds conditional water rights. A conference call with an assigned water referee instructed the attorney for the property owner to move forward with an augmentation plan because the property owner was unwilling to take the prescribed mitigation measures such as lining his pond.

B. City Case

The City has filed for a change of water right to use the former Jerry More 0.5 cfs as augmentation for City Well "A". The District has filed a Statement of Opposition to follow the case to determine if it will employ its former Jerry More 0.5 cfs for similar use for augmenting the District's Well "H".

C. Starwood Case

Mr. Sharp reported that Starwood, the owner of the Rollingstone Ranch Golf Course, had filed for water rights in two locations on Burgess Creek below Storm Meadows Drive. Mr. Gallagher stated that he has instructed attorney David Hallford of Balcomb & Green to file a Statement of Opposition in the case in accordance with the 2009 Golf Course Irrigation Agreement. Mr. Hallford had assisted the District in the negotiations of the 2009 Golf Course Irrigation Supply Agreement.

D. CWCB

Mr. Sharp reported that the District and the City had held a second meeting on December 7th with the CWCB and Division 6 Engineer to continue discussions regarding the CWCB's claim to a 200AF storage right in Fish Creek Reservoir. The District maintains that the CWCB 200AF is not stored according to the operational agreement between the City and the District; the Division 6 Engineer has developed a reservoir accounting spreadsheet on a LIFO basis to demonstrate that the CWCB water is stored, but which does not

reflect the FIFO method governing the operational agreement between the City and the District. The District maintains that the City made an agreement with the CWCB to store the 200 AF and that the water should come out of the City's allotment only.

IX. UNFINISHED BUSINESS

There was no unfinished business to discuss.

X. NEW BUSINESS

A. 2010 Plant Investment Fee Adjustment

Mr. Gallagher explained that, in 2004-2005, the District contracted THC to conduct an analysis of the District's existing and future water and sewer capacity requirements and to design a tap fee structure which represents a fair cost of investing in this infrastructure. The result was a new Plant Investment Fee Structure which went into effect on November 1, 2005.

Since 2005, there have been significant changes in the vision for growth in the Base Area. The City's land use policy to increase density in the Base Area has resulted in an increase in our estimate of the number and size of units – measured by the District as EQRs (Equivalent Residences) - which may be constructed in this area. Indeed, on an equivalent year basis measured at the end of 2009, the 2009 estimate of remaining water EQRs in the District has increased from 1998 to 3,193 (60%) since the estimate of early 2005.

Reflecting the more modest growth estimate of early 2005, the 2005 analysis for water and wastewater collection tap fees included modest capital expenditures for adding capacity to existing water and sewer infrastructure; the analysis did not include the major capital expenditures required to increase water supplies and supply redundancy in the Base Area and South District, or for upsizing the Base Area Interceptor and Core Trail Interceptor as indicated by our current wastewater hydraulic model.

Using the methodology of the original analysis, Mr. Gallagher had calculated the replacement value of available existing capacity, the cost of future capacity additions, and estimates of remaining water and wastewater EQRs to arrive at a value per EQR and per fixture point.

Mr. Gallagher proposed the following adjustments in Plant Investment Fees:

Water: from \$29.11 to \$34.47 per fixture point (+19%)

Wastewater collection: from \$10.38 to \$15.84 per fixture point (+53%)

The effective increase on the District's portion of plant investment fees will be 27%.

Mr. Gallagher proposed to make these new PIF rates effective February 1st, 2010. These PIF rates will be subject to the District policy of biannual adjustments using the Engineering News Record Building Construction Index for Denver. The next cost-index adjustment would be in 2012.

Mr. Gale stated that he and Kathy Connell comprising the Budget/Audit Committee had met with Mr. Gallagher on January 14th wherein Mr. Gallagher presented the rationale for the adjustment and explained the methodology of the calculations. Mr. Gale and Ms. Connell expressed their support for the proposal and urged the Board to consider for adoption the following resolution:

“WHEREAS, the Board of Directors of the District recognizes that current resort design standards and new zoning in the Ski Area Base have significantly increased growth projections in the District which have required significant changes in the District's Master Plan to accommodate increased capacity requirements for water and wastewater services; and

WHEREAS, the Board of Directors of the District recognizes that the District must adjust plant investment fees to ensure that the District has sufficient reserves to construct facilities to meet the increased capacity demands in the future; and

WHEREAS, the MOUNT WERNER WATER AND SANITATION DISTRICT, Routt County, Colorado (the "District"), has adopted rules and regulations to govern the operations of the District; and

WHEREAS, pursuant to Section 1.6 of said Rules and Regulations, the Board of Directors of the District reserved the right and power to amend such Rules and Regulations without necessity of prior notice; and

WHEREAS, the Board of Directors now desires to amend such Rules and Regulations.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED BY THE BOARD OF DIRECTORS OF THE MOUNT WERNER WATER AND SANITATION DISTRICT that Appendix G (Plant Investment Fee Schedule) of the Rules and Regulations is hereby amended as follows:

Fee for water: from \$29.11 to \$34.47 per fixture point

Fee for wastewater collection: from \$10.38 to \$15.84 per fixture point

Effective February 1, 2010

MOTION: To approve and adopt the above resolution to amend Appendix G (Plant Investment Fees).

APPROVED: Vote 5-0.

B. Designation of official posting place for notices of District Board meetings

Mr. Gallagher stated that the official posting place for District meetings is on the bulletin board at the Office of the Routt County Clerk. Other posting locations include Safeway, City Market, and the front door of the District Office.

MOTION: To approve the official posting place for District meetings as being on the bulletin board at the Office of the Routt County Clerk. APPROVED: Vote 5-0.

C. 2010 Board Election Schedule

Mr. Gallagher reminded the Board that the seats of Mr. Halverson and Mr. Randall were up for election for a four-year term on May 4th, 2010; that the call for nominations would be published either February 7th or 14th; that self-nomination forms would be accepted until the close of business February 26th.

D. District Election Official

Mr. Gallagher stated that Board must designate an election official to oversee the election.

MOTION: To designate Janice Illian, District Office Manager, as the District Election Official.

APPROVED: Vote 5-0.

E. 2010 Meeting Schedule

Mr. Gallagher reminded the Board that he had distributed a 2010 meeting calendar and that the next meeting would be March 18th.

XI. ADJOURN

There being no further business, the meeting was adjourned at 9:37 AM.

Respectfully submitted,

James R.L. Gallagher, Secretary/General Manager