

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, May 19, 2011

DIRECTORS PRESENT: Jon Halverson, Nancy Mayer, Steve Frasier, Kathy Connell (at 8:45AM)  
DIRECTORS ABSENT: Jim Randall  
STAFF PRESENT: Jay Gallagher - General Manager / Secretary

I. ESTABLISHMENT OF QUORUM AND CALL TO ORDER:

Mr. Halverson, as Vice-Chair, stated that a quorum was present and called the meeting to order at 8:02 A.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 3-0.

III. APPROVAL OF SUBMITTED MINUTES OF PREVIOUS MEETINGS:

Mr. Halverson asked for any editions or changes in the draft minutes of the March 17, 2011 regular board meeting. There were none.

MOTION: To approve the minutes of the March 17, 2011 regular board meeting APPROVED: Vote 3-0

IV. PUBLIC COMMENT:

There was no public comment.

V. TREASURER'S REPORT:

A. Financials: Q1 Financial Statements and April 30 YTD Actuals vs 2011 Budget

Mr. Gallagher noted that the administrative personnel expenditure was higher than budget because of a December health insurance premium and a 2010 annual fee received from Western Slope Health Care Group in January. Mr. Halverson asked if there were any comments or questions on the above statements. There were none. The Board accepted the Treasurer's report.

Mr. Gallagher said that he had received a request from the Yampa Valley Sustainability Council to donate money to the 2011 Re-Tree Steamboat program to plant 4,000 trees in two de-forested sites at Mt. Werner and Howelsen Hill. Mr. Gallagher proposed that the District donate \$500 from the watershed protection budget to this effort in the interest of water quality. The Board agreed to this donation.

VI. DIRECTOR AND COMMITTEE REPORTS:

Budget & Audit Committee/ Investment Committee Reports

A. Investment portfolio

Mr. Halverson asked if there were any questions regarding the investment portfolio. There were none. The Board accepted the report on District investments.

B. Working Account

Mr. Gallagher said that he and the office manager had met with Vectrabank to review the monthly transaction fees charged to the District's working account. Several other local banks would not charge these fees because the District has sizeable investments with them. However, Vectrabank does not offer a competitive rate for CD's for municipalities so the District does not have any funds invested with Vectrabank. In an effort to maintain this long-standing relationship, Vectrabank agreed to reduce the transaction fees which would lower the minimum average balance required to offset the fees. Mr. Gallagher said that he and the Office Manager would continue to monitor the fees and the cost of maintaining a minimum bank balance.

VII. REPORT OF THE GENERAL MANAGER:

A. Fish Creek Reservoir Level

Mr. Gallagher stated that the Tower SNOTEL site at Buffalo Pass had set a record on May 1 for snow-water equivalent; that there was over 6 feet of water content in the Fish Creek watershed. The Operations Manager had already begun to release water from the reservoir to manage the anticipated run-off with the objective of minimizing the volume and spill-time over the saddle dam into the undersized Puppy Dog Basin. This is a requirement of the USFS reservoir permit.

B. Paperless billing and on-line bill-pay

Mr. Gallagher reported that, in the Q1 billing period, District customers were responding very favorably to the new paperless billing and on-line bill-pay options. The vendor said that Park City, UT utilities had seen an adoption of paperless billing in a range of 37% - 57% of registered XBP customers. Similar adoption percentages here could result in significant savings in postal charges.

C. Accounting software upgrade

Mr. Gallagher said that the Office Manager had ported the Accounts Payable and General Ledger into Caselle. The District will run the Cougar and Caselle systems in parallel through Q2 to ensure the consistency of the numbers before abandoning the Cougar system. The District did not purchase Caselle's payroll module because of the cost; instead, it has purchased and is now using QuickBooks Payroll.

D. Water Conservation

Mr. Gallagher reported that a delay in receiving comments from the CWCB caused the City and the District to push the adoption out to June for the City and July for the District.

E. 2011 Capital Improvement Projects

Mr. Gallagher reported that the South District Backbone Phase II project had received three bids in a narrow range within the project budget and that the contract had been awarded to Connell Resources. The Alpenglow Water Main Replacement and Upsizing also received three bids, but in a broad range; the contract was awarded to Native Excavating whose bid was well within the project budget. Mr. Gallagher also reported that engineering design phase of the PRV replacement project was well on its way with surveying and utility locates completed.

VIII. REPORT OF GENERAL COUNSEL:

Mr. Sharp said that there was nothing of significance to report on the Nirenberg and City water rights cases.

Ms. Connell arrived at 8:45 AM

IX. UNFINISHED BUSINESS:

A. Rate Study

Roger Hartman, principal of THC, gave a two-hour presentation on the development and results of his rate study for the District. In summary, he recommended that the Board maintain water tap fees at the current level and increase wastewater collection tap fees by 5% in 2012. Long-term, he recommended annual increases base on the ENR construction index. For water service rates, Mr. Hartman offered four options. He recommended that the District maintain the same base rate for continuity; this would narrow the options to two, one of which maintained the 95 cubic meter threshold for Block 2, the other, a 75 cubic meter threshold for Block 2 which is more in line with the objective of sending an economic signal to customers regarding discretionary outdoor use. Ms. Connell encouraged the Directors to study these recommendations prior to the July board meeting in which the Board would consider the recommendations for adoption. Ms. Connell thanked Mr. Hartman for his presentation.

At this time, Ms. Connell, as Chair, suggested a change in the order of business to accommodate the Bike Park representatives who had been waiting two hours to make their presentation. The Board agreed to hear the bike park proposal first, and then return to UNFINISHED BUSINESS.

X. NEW BUSINESS:

A. Proposed Bike Park at Whistler Park

Ms. Blair Seymour, a representative of the Winter Sports Club, introduced the other representatives of the bike park group: Lane Malone, Executive Director, Steamboat Bike Town USA Initiative, and Bob Vanderbeek, the principal of Directional Development, a community foundation headed by him that is providing funding for the project. Their objective is to provide a temporary training course for youth mountain bike riders until such time a more permanent training facility could be developed at the Ski Area Base or at Howelsen Hill. The group is requesting a 3-year lease on approximately 2 acres of District property immediately to the west of Whistler Park. They would bring in clay material to form the structures of the course and would reclaim the area when the lease was done. The group would place funds in escrow for maintenance and reclamation.

Mr. Sharp counseled the Board and the petitioner: first, the agreement should be a license agreement, not a lease; second, the agreement should specifically indemnify the District; it should state that the District is not responsible for providing access to the site or for any permitting required in connection with its construction, use, and reclamation; lastly, the District should ensure that the cost of reclamation is adequate. Mr. Gallagher added that the District would not be responsible for managing and policing the site. After some discussion, it was evident that the City of Steamboat Springs would likely have to sign the agreement as principal to cover the activity under its insurance policy.

The Board was receptive to the proposal provided that Counsel's recommendations are followed. The Board directed Mr. Sharp to draw up a license agreement with legal fees to be charged to the licensee; it directed Mr. Gallagher to work with the petitioner.

IX. UNFINISHED BUSINESS:

B. Upper Yampa Water Conservancy District

Kevin McBride introduced himself as the Manager of the Upper Yampa Water Conservancy District (UYWCD) and Bob Weiss as counsel for UYWCD. As Mr. McBride prepared his presentation, Ms. Connell suggested that the Board consider for approval UYWCD's lease extension agreement for Yamcolo Reservoir water. At this time, Mr. Sharp disclosed that he was a director on the Board of the UYWCD and, as such, would refrain from offering any legal counsel to the Mount Werner Water Board during the course of this discussion.

Ms. Connell asked the Directors present if they had any questions about the extension agreement. Mr. Frasier wanted to know the reason for the lease. Mr. Gallagher said that this 300 acre-feet could provide augmentation water for the District's infiltration gallery H and, under a long-term agreement with Ski Corp, provides additional water for snowmaking purposes. As there were no more questions, Ms. Connell called the question.

**MOTION:** to approve the 30-year lease extension agreement with the Upper Yampa Water Conservancy District for 300 acre-feet of stored water in Yamcolo Reservoir and authorize Kathy Connell as President to sign the agreement. Approved 4-0

Ms. Mayer left the meeting at 11:10 AM

Mr. McBride gave his presentation on the Upper Yampa Water Conservancy District describing the organization and its mission to serve all stakeholders in the Upper Yampa River Basin. The UYWCD had launched a three-year scoping project to gather information from stakeholders and to understand how the UYWCD could assist each stakeholder meet its goals and objectives. One of the projects that the UYWCD proposed to undertake was to develop in more detail the state hydrology model for the Upper Yampa River Basin. This tool would assist the UYWCD and area stakeholders to develop strategies for managing drought in the future as well as meeting new demands. The Board directed Mr. Gallagher, as General Manager, to work with the UYWCD on these matters.

XI. ADJOURN:

There being no further business, the meeting was adjourned at 11:35 AM.

Respectfully submitted,

James R.L. Gallagher, Secretary/General Manager