

MINUTES OF A REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
MOUNT WERNER WATER & SANITATION DISTRICT
HELD AT THE FISH CREEK WATER FILTRATION PLANT
STEAMBOAT SPRINGS, CO 80487
8:00 A.M. Friday-March 16, 2018

DIRECTORS PRESENT: Steve Frasier, Dan Berkey, John Shively, Jim Randall and Don White
DIRECTORS ABSENT: None
STAFF PRESENT: Frank Alfone, General Manager
Nancy Wilson, Office Manager
Tom Sharp, Counsel
OTHERS PRESENT: Chris Catterson, Catterson & Company, P.C.
David Hallford, Balcomb and Green (via Telephone)
Jonathan Kelly, Wright Water Engineers (via Telephone)

I. **ESTABLISHMENT OF QUORUM AND CALL TO ORDER:**
Mr. Frasier stated that a quorum was present and called the meeting to order at 8:00 A.M.

II. **APPROVAL OF AGENDA FOR MEETING:**
Mr. Frasier asked if there were any changes in the agenda. There were none.

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

III. **APPROVAL OF SUBMITTED MINUTES OF PREVIOUS MEETING:**
Mr. Frasier asked if there were any editions or corrections to the minutes of the January 5, 2018 regular board meeting. There were none.

MOTION: To approve the minutes from the January 5, 2018 regular board meeting.
APPROVED: Vote 5-0

IV. **PUBLIC COMMENT:**
Mr. Frasier invited public comment. There were no public comments.

V. **TREASURER'S REPORT:**
A. Financial Statement – Unaudited December 31, 2017 Year-End Financial Report

As of December 31, 2017, the District's Total Operating Revenues were \$36,498 above budget. This was mainly due to more water service revenue resulting from the increase in rates implemented January 1st. Year-end PIF fee revenue equaled \$767,637; \$452,287 ahead of the 2017 budget figure (\$315,350). Two received and substantial PIF's are responsible for the large positive variance; Homewood Suites = \$263,662 and the Sheraton remodel = \$188,890. Total Operating Costs were under budget \$172,954. This positive variance is mainly due to several items (savings compared to budget); Filter Bay Lease (\$51k – not paid in 2017), Personnel savings = \$52k, Legal and Accounting Services = \$11k, Utilities = \$23k and ASF Rate Study status = \$15k. The District was ahead of budget in total revenues over total costs by \$699,771 (excluding Capital Expenditures and "net" Contributed Infrastructure Assets = \$872,760).

The 2017 year-end budgeted reserves amount equaled \$2,889,864. The actual, but un-Audited amount equaled \$3,738,412, or an approximate increase in reserves equal to \$848,548; mainly attributable to the additional PIF fees collected, lower than budgeted operating expenses and less CIP expenses incurred than budgeted in 2017.

As of December 31, 2017, the Capital Improvement Plan (CIP) was \$112,668 under budget, mainly the result of the expenses for the Yampa Wells Plant Improvement Project came in less than expected in 2017.

The Board accepted the budget comparison for December 31, 2017.

B. Financial Statement – January 31, 2018 Year-to-Date Report

As of January 30, 2018, the District is ahead of budget in Total Revenues by \$685 due to higher interest earned on investments than forecasted. There is minimal water and sewer service revenue in January as these charges are billed quarterly. Total Operating Costs are under budget \$42,310.

Mr. Alfone informed the Board that he would like to start allocating/accounting for Water and Wastewater specific expenses within the four current categories of the Districts Operating Costs:

- Administrative
- Water Distribution and Wastewater Collections
- Raw Water Expenses
- Water Filtration

Revenue is currently accounted either towards Water and Wastewater. New timesheets have been completed and staff will begin allocating their time based on project-specific tasks, i.e., water and wastewater, allowing the District to more accurately track labor-related costs and overhead. At this time, overlapping administration-related costs are allocated 80% to water and 20% to wastewater. Once more data is gathered about actual costs, these percentages may change.

As of January 31, 2018, Capital Improvement Plan (CIP) expenses equaled \$86,946. The Board accepted the budget comparison for January 30, 2018.

VI. COMMITTEE REPORTS:

A. Budget and Audit Committee

Mr. Frasier invited Chris Catterson, District Auditor, to report on the 2017 Audit and 2017 Financial Statement. Mr. Catterson reported that the financial statements are fairly stated, in all material respects in accordance with generally accepted accounting principles (GAAP). He added that, in reviewing the 2017 financial records and accounts, there was no evidence of fraud.

Mr. Catterson noted a few items:

- The Plant Investment Fee revenue was adjusted downward as a result of the Board's decision to offer reimbursement to owners that pre-paid these fees back in the late 1970's and early 1980's.
- There was a large adjustment made to account for new water and wastewater infrastructure (assets) being contributed to the District in 2017.
- The audited financial statements show a net operating loss mainly due depreciation of District assets.

Mr. Frasier asked how depreciation is calculated. A straight-line, useful life schedule is utilized.

MOTION: To approve the audited 2017 Financial Statements.

APPROVED: Vote 5-0

B. Investment Portfolio

Mr. Alfone reviewed the Investment Portfolio Report for February 28th, 2018 and asked if there were any questions. There were none. The most recent interest rate with District-invested funds at Colotrust is 1.66%. The Board accepted the Investment Portfolio Report.

C. Succession Committee

Mr. Alfone will update the District's Succession Planning Document that was last presented to the Board in 2012.

VII. REPORT OF GENERAL MANAGER:

A. Water Rights and Resources Conference Call (David Hallford and Jonathan Kelly)

Mr. Alfone introduced Mr. Kelly and Mr. Hallford and informed the Board that the purpose of this call was to provide the Board an update on the status of the pending Water Rights Application and Augmentation Plan for the proposed Infiltration Gallery at the Yampa Meadows Parcel. Mr. Hallford provided an overview of the memorandum prepared by him and distributed to the Board Members prior to the meeting. Key points were identified:

- Target date to receive the decree is within the 2020 summer or early fall time period. There are steps to accelerate the process through Colorado Water Court and Mr. Hallford reviewed them and recommended this track be followed. At this time, Mr. Hallford would like to file the application by the end of May, or early June.
- The new water right will be a 2018 Junior Conditional Right, thus will need to be augmented if a call is placed by a senior water rights owner. Mr. Kelly identified several sources for augmentation being considered including existing District water rights and stored contract water. The application requires identifying such rights and respective amounts and this portion of the application is being finalized. Tom Sharp provided a brief overview of rights associated with Fish Creek and Fish Creek Reservoir and suggested these rights not be included as augmentation sources. Don White encouraged Wright Water to investigate the District's water rights on Burgess Creek and if appropriate, include them as source of augmentation.
- Conflict of Interest – the Board and Mr. Hallford discussed a potential conflict issue with Mr. Hallford with regards to the proposed water rights application. When the application is filed, The Upper Yampa Water Conservancy District (UYWCD) may

submit a Statement of Opposition. Mr. Hallford represented UYWCD in the past, thus a conflict may present itself. Mr. Sharp proposed that the Board request from UYWCD's legal counsel Bob Weiss consideration for a "non-conflict waiver" document for this specific legal matter allowing Mr. Hallford to represent the District. This idea will be presented to Mr. Weiss by Mr. Berkey before March 22nd; the next regularly scheduled UYWCD Board Meeting.

B. ASF Fee

Mr. Alfone distributed to the Board a draft copy of Raftelis's report of findings and Mr. Sharp's e-mail answering Mr. Alfone's and Raftelis's questions about items related to the ASF that were raised during the study. Mr. Alfone requested that the Board review the documents and be prepared to discuss the findings and provide direction to staff and Raftelis at the May Board meeting. Mr. Frasier requested that revenue that might gained from the ASF fee be identified so the Board can consider this when discussion takes place.

C. Executive Summary Overview

Mr. Alfone asked if there were any questions regarding the Executive Summary. There being no questions, the Board accepted the summary

D. GWUDI Compliance and Raw Water Capacity Expansion – Yampa Wells Water Treatment Plant

Glacier Construction continues to work on the project (started September 11, 2017). Major items completed to date include:

- New YVEA Transformer installed, along with all new exterior conduit, wiring, switch gear and new electric meter.
- New, back-up Hypochlorite (Chlorine) Holding/Storage Tank installed
- Sump pumps, valves, process piping installed in the new and existing backwash and storage tanks
- Natural gas line relocated, modified restroom plumbing and space and a new eyewash station and hot water heater installed
- New discharge effluent pumps installed
- Installation of new interior process piping, valves, actuators continues
- Repairs to the filters completed

Weekly meetings with Glacier take place to review the schedule, status of the project and the construction plans "look ahead". I continue to provide the neighboring properties periodic updates about the project and the near-term construction impacts; water outages, noise, dust, construction vehicle traffic etc. The target completion date is June 15th, 2018

VIII. REPORT OF GENERAL COUNSEL:

Executive Session

At 9:30 AM, Mr. Frasier asked for a motion to go into Executive Session.

MOTION: To adjourn the Regular Meeting and go into Executive Session at 9:30 AM to receive advice on specific legal questions regarding City of Steamboat Springs Agreements under C.R.S. 24-6-402(4) (b). The mere presence or participation of an attorney at an executive session of a local politic body is not sufficient to satisfy the requirements of this subsection(4).

APPROVED: Vote 5-0

MOTION: To come out of Executive Session and reconvene the Regular Meeting at approximately 10:10 AM with no action having been taken.

APPROVED: Vote 5-0

Counsel Sharp stated that, in his opinion, all of the discussion during the Executive Session regarding legal issues with the City of Steamboat Springs Agreements would constitute a privileged attorney-client communication. Therefore, no record was kept of the Executive Session.

IX. UNFINISHED BUSINESS:

A. Office Remodel

Board Member Dan Berkey and The Upper Yampa Water Conservancy District (UYWCD) legal counsel Bob Weiss recently had a brief conversation about the proposed lease agreement with the District. Prior to drafting a Letter of Intent or proposed Lease, Mr. Weiss requested a meeting with Mr. Berkey to discuss a possible Tabor issue and how to protect UYWCD if the City of Steamboat Springs contested the lease agreement. The Board discussed these items and other potential issues with the proposed agreement including a public perception that entering into such an agreement is not in the best interest of the District's customers, placing limitations on future expansion of the treatment plant and or encumbering any land or plant infrastructure to expand and the fact that being a landlord is not a fundamental aspect of the District's Mission Statement.

MOTION: to direct Mr. Berkey to meet with Bob Weiss and inform him that the District's original remodel plan restricting the scope of work to the existing offices footprint is still available to UYWCD, but any future expansion of office spaces or the construction of a garage is not.

APPROVED: Vote 5-0

After the UYWCD responds to the District's offer, the Board will discuss the next steps; including finalizing a notice to vacant if UYWCD does not want to accept the District's offer.

B. Stagecoach Contract Water Extension

UYWCD has requested that the District extend the Stagecoach Water Allotment Contract 2 years with a new renewal date of July 15, 2021. The additional time will allow UYWCD to engage in pre-development work on the Morrison Creek Reservoir, which may be constructed in the future to help firm the water supply in Stagecoach Reservoir.

MOTION: To direct the General Manager to execute the proposed extension of the Stagecoach Water Allotment Contract.

APPROVED: Vote 5-0

C. Staff or Directors may raise for discussion any unfinished business related to the business of the District.

X. **NEW BUSINESS:**

A. Resolution: Notice to Cancel Election

The Board considered a Resolution cancelling the 2018 Election and Declaration Deeming Candidates Elected:

WHEREAS, THE Board of Directors is authorized to cancel the election and declare candidates elected at the close of business on the sixty-third day before the election to be conducted on May 8, 2018, and

WHEREAS, the Board of Directors has duly certified that there were not more candidates for director than offices to be filled, including candidates filing affidavits of intent to be write-in candidates,

Now **THERFORE**, pursuant to 1-5-208(1.5), C.R.S., the Board of Directors **HEREBY** cancels the regular election to be conducted on the 8th day of May, 2018 by formal resolution, and

THE BOARD DECLARIES THE FOLLOWING CANDIDATES ELECTED FOR THE FOLLOWING TERMS OF OFFICE:

Don White	1550 Meadow Lane Steamboat Springs, CO 80487	Two-year Term
Daniel R. Berkey	755 Angels View Way Steamboat Springs, CO 80487	Four-year Term
John W. Shively	2870 Ski Trail Lane Steamboat Springs, CO	Two-year Term

MOTION: Adopt the Resolution as written

APPROVED: Vote 5-0

B. Staff or Directors may raise for discussion any unfinished business related to the business of the District.

Mr. Shively described and showed the Board and staff a water-saving device (Taco Smart Plug™) that could be installed next to a sidearm boiler system utilizing a holding tank. In the "Smart" mode, the SmartPlug™ monitors and records weekly household hot water use patterns and adjusts hot water recirculation cycles accordingly. That way, hot water is provided quickly at all fixtures, only when needed, potentially saving customers up to 12,000 gallons per year. Mr. Alfone will investigate how the device functions and gain more information to determine if the District might recommend the SmartPlug™ to its customers.

XI. **ADJOURN:**

Next Meeting: The next Board Meeting will be scheduled in May, 2018 at 8 A.M.
There being no further business, the meeting was adjourned at 10:45 A.M.

Respectfully submitted,

Frank Alfone, Secretary/General Manager

STATEMENT FROM ATTORNEY REGARDING ATTORNEY-CLIENT PRIVILEGE

The undersigned Thomas R. Sharp hereby attests, pursuant to CRS Section 24-6-402 (4) (b), that the executive session that was not recorded because, in his opinion, his participation in the discussion of negotiations in a property purchase constituted a privileged attorney-client communication.

Thomas R. Sharp, Counsel

Date:

STATEMENT FROM CHAIR OF EXECUTIVE SESSION REGARDING ATTORNEY-CLIENT PRIVILEGE

The undersigned chairperson hereby attests, pursuant to CRS Section 24-6-402 (4)(b), that the executive session was not recorded and were confined to the topics authorized for discussion in an executive session pursuant to subsection (4) of CRS Section 24-6-402.

Steve Frasier, President and Chair

Date: