

MINUTES OF A REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
MOUNT WERNER WATER & SANITATION DISTRICT
HELD AT THE OFFICE OF THE DISTRICT
8:00A.M. Friday, July 15, 2016

DIRECTORS PRESENT: Steve Frasier, Bob Kuusinen, Dan Berkey, Jim Randall and John Shively

STAFF PRESENT: Frank Alfone, General Manager

Tom Sharp, Counsel

OTHERS PRESENT: None

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 no changes.

MOTION: To approve the agenda.

APPROVED: Vote 5-0

III. APPROVAL OF SUBMITTED MINUTES OF PREVIOUS MEETINGS:

Mr. Frasier asked if there were any editions or corrections to the minutes of the May 20, 2016 regular board meeting. There were none.

MOTION: To approve the minutes from the May 20, 2016 regular board meeting.

APPROVED: Vote 5-0

Mr. Frasier asked if there any editions or corrections to the minutes of the June 6, 2016 special board meeting.

MOTION: To approve the minutes from the June 6, 2016 special board meeting.

APPROVED: Vote 5-0

IV. PUBLIC COMMENT:

There was no public comment

V. TREASURER'S REPORT:

A. Financial Statement – May 30, 2016 YTD

Mr. Alfone noted that the District's total operating revenues were below budget 7.7k. The deficit is mainly due to reduced revenue received from the City of Steamboat for filtration expenses reimbursement (-5.1k). PIF revenue is \$8.6k above budget. Total operating costs YTD were below budget 76.9k, thus the District was ahead of budget in total revenues over total costs by 77.7k, excluding Capital Expenditures.

B. Preliminary Financial Statement – June 30, 2016

Mr. Alfone noted that the water service revenue is ahead of budget 16.4k. The surplus is mainly due to increased water usage resulting from no water restrictions within the District this summer. Total revenues are ahead of budget by 12.7k and savings of 96k has been realized in total operating costs. The District is ahead of budget in total revenues over total costs by approximately 115k, excluding Capital Expenditures

C. Year-End 2016 Projected Reserves

Due to savings from postponing the Highway 40/Mt. Werner Rd. Sewer Interceptor Project to 2017 and anticipated yearly operating expenses reductions, the District is projected to have 3.5 million in reserves, 500k more than budgeted at year-end for 2016.

MOTION: To approve the Treasurers Report as presented

APPROVED: Vote 5-0

VI. COMMITTEE REPORTS:

A. Investment Committee – Review of Portfolio

Mr. Alfone distributed an updated portfolio sheet and provided an overview of the various Investment Portfolio accounts. Mr. Frasier asked if there were any questions with regards to the District's investment portfolio. There were none. The Board accepted the Investment Portfolio report.

B. Succession Committee

Mr. Alfone noted Succession Planning in the Operations Department is on-going and progressing smoothly.

VII. REPORT OF THE GENERAL MANAGER:

Mr. Alfone reported the following:

A. Executive Summary Overview

Mr. Alfone asked for any questions regarding the Executive Summary.

Mr. Shively asked if development of new raw water supply on the Yampa Meadows Parcel could be completed earlier than the scheduled 2020-22 time frame. Mr. Alfone noted that all GWUDI requirements must first be satisfied and are scheduled to be completed by the summer of 2018. Additionally, hydraulic upgrades (water mains, pumps etc.) are necessary and are being engineered and designed to be installed during the GWUDI compliance project. There is a possibility of accelerating this project, but a start date would be contingent upon completion of engineering and design, water rights firming and City of SB and CDPHE approval. The District has budgeted funds to start the planning process for this project in 2020.

B. GWUDI Update – CDPHE Conference Call

Mr. Alfone informed the Board that CDPHE granted the District verbal approval to reduce the required Chlorine residual amount (per the new GWUDI determination) at the first entry point to the distribution system leaving the wellfield treatment plant to 1.4-.5 mg/l, down from 2.0 mg/l. Water production at the plant may be reduced to allow adequate chlorine contact time to achieve the reduced residual amount. CDPHE also verified that if the plant is not operating on December 31, 2017, there is no violation of the new GWUDI compliance standards. December 17, 2017 is the required date to complete the upgrades, however, the plant is only operated seasonally (in the summers), thus will allow the District additional time to complete the required upgrades.

C. Utility Rate Study

Mr. Alfone reviewed the memorandum updating the Board on the status of the District's Utility Rate Study progress. Several points were highlighted:

- Raftelis Financial Consultants (RFC) will be finalizing the findings and recommendations by mid-August.
- RFC has scheduled a Wastewater Treatment Financial Planning Workshop for all wholesale customers, including the District on August 3. Mr. Frasier and Mr. Berkey will attend, along with Mr. Alfone.
- A District special board meeting will be scheduled in late August. RFC will present their final report at this meeting.
- The City of SB's City Council has scheduled a work session for August 23rd to review RFC's findings for the City's Utility Rate Study, occurring simultaneously with the District's Rate Study.

Mr. Sharp confirmed that the Board has latitude when setting both water and sewer user rates and there are no state statues regulating respective rate increases. He emphasized the importance of performing independent and regular rate studies that support any proposed increases.

Mr. Alfone was directed to provide the Board several customer rate comparisons detailing existing and proposed new water and sewer user charges once additional data is available regarding any proposed increases that the City is considering for wastewater treatment user charges.

VIII. REPORT OF GENERAL COUNSEL:

Tom Sharp reported the following:

A. Intergovernmental Agreements with the City

Mr. Sharp has drafted five (5) new Agreements including the following; Skyline Trail, Filter Bay Lease, Sewer Interceptor/Core Trail, Whistler Park Irrigation and Wellfield Treatment Plant/Distribution System. Mr. Sharp provided a brief recap of the Agreements. Mr. Alfone will review each one and provide any comments in the near future. Once all the Agreements are

reviewed and if necessary, modified, Mr. Sharp will then forward to the Board for review and comments. Depending on the level of board-generated questions/comments, either a special board meeting will be scheduled or Mr. Sharp will forward them to City Attorney Dan Foote to review.

B. City of Steamboat Water Rights Case – 2015CW3033 – Fish Creek Reservoir

The water referee for Division No. 6 ruled in favor of the City's application to make 2000 AF of Fish Creek Reservoir conditional water to absolute storage status. The ruling also allows the water right year round ability to fill and refill the reservoir. This is a positive ruling for the District.

C. Yampa Meadows – Snow Country Encroachment/Haying

The closing took place on July 7th 2016.

Ed MacArthur is compiling a proposal to design and replace head gates and other irrigation ditch water-related infrastructure on the District parcel. The District agreed to pay 50% of these costs in return for Mr. MacArthur continuing to irrigate the newly acquired land in addition to his land located adjacent to the District parcel.

Mr. MacArthur is scheduling his land to be hayed in the near future. The hay on the District parcel will be hayed at the same time

Snow Country Landscaping has historically stored landscape materials (trees, shrubs, soil etc.) on Mr. MacArthur's land. The land is now owned by the District. Mr. Alfone recommended that the Board agree to allow this practice to continue through the end of the 2016 landscape season, or November 1st, 2016 and then require Snow Country to restore the land to its original state by 11.1.16. The Board concurred and directed Mr. Alfone to write Mitch Clark (owner) a letter detailing the Board's position on this encroachment. Mr. Sharp will review the letter before sending to Mr. Clark.

IX. UNFINISHED BUSINESS:

Mr. Alfone informed the Board that the District and an employee reached an Agreement for the employee to terminate his employment with the District.

X. NEW BUSINESS:

A. Rollingstone Golf Course Raw Water – Sheraton/Vistana Meeting

Tom Sharp exited the meeting due to a conflict of interest regarding this agenda item.

The Board reviewed the letter written to the District from Vistana's attorney. The letter identified several items that Vistana requested the Board consider with regards to the existing Raw Water Agreement with Rollingstone and their investigation of alternative water sources needed to irrigate the golf course. Mr. Berkey and Mr. Kuusinen provided the other board members a summary about the meeting held with Rollingstone on June 13th, 2016. After discussing the items identified in the letter and the meeting details, the Board directed Mr. Alfone to draft a reply letter to Vistana's attorney explaining why the Board at this time will not consider the items requested in the letter. Mr. Berkey and Mr. Kuusinen will review and approve the letter before forwarding it to Vistana.

B. New District Website

Mr. Alfone provided the Board a demonstration of the proposed new District Website. The new website is planned to launch on August 1, 2016.

XI. ADJOURN:

There being no further business, the meeting was adjourned at 10:00 A.M.

Respectfully submitted,

Franklin J. Alfone, Secretary/General Manager