

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-December 8th, 2023

DIRECTORS PRESENT: Gavin Malia, John Shively, Don White, Alan Koerner, and Wade Gebhardt

DIRECTORS ABSENT: None

STAFF PRESENT: Frank Alfone, General Manager
Tyler Gilman, Operations Manager
Cat Smith, Business Manager
Beau Cahill, Project Development Coordinator
Tom Sharp, General Counsel
(all in-person)

OTHERS PRESENT: Michelle Carr, Distribution & Collection Manager, City of Steamboat Springs
(via Microsoft Teams)
Cody Berg, Associate VP and Financial Services Lead, Carollo Engineers, Inc.
(via Microsoft Teams)

I. ESTABLISHMENT OF QUORUM AND CALL TO ORDER

Director Malia stated that a quorum was present and called the meeting to order at 8:02 A.M.

II. ACKNOWLEDGE PUBLIC

III. APPROVAL OF AGENDA FOR MEETING

Director Malia asked if there were any changes to the agenda. There were none.

MOTION: To approve the agenda.

APPROVED: Vote 5-0

IV. APPROVAL OF SUBMITTED MINUTES OF PREVIOUS MEETING

A. From the November 3, 2023, Special Board Meeting

MOTION: To approve the minutes from the November 3, 2023, Special Board Meeting

APPROVED: Vote 5-0

V. PUBLIC COMMENT

There was no public comment.

VI. TREASURERS REPORT

A. Financial Statement – September 30, 2023, Year-to-Date Report

As of September 30, 2023, total operating revenues equaled \$2.8M which is roughly 78% of the total 2023 budget.

Operating costs equaled \$2M which makes up approximately 72% of the total 2023 budget.

Non-operating revenues equaled \$722K excluding the CWRPDA loans, which equates to 88% of the total 2023 budget. YTD Plant Investment Fee (PIF) revenue equaled \$646K, which is 89% of the total 2023 budget.
Capital Improvement Plan (CIP) expenses equaled \$1.85M.

As of September 30, 2023, the Districts total reserves equaled approximately \$3.1M.

B. Financial Statement – October 31, 2023, Year-to-Date Report

As of October 31, 2023, total operating revenues equaled \$2.97M which is roughly 81% of the total 2023 budget.

Operating costs equaled \$2.19M which makes up approximately 77% of the total 2023 budget.

Non-operating revenues equaled \$762K excluding the CWRPDA loans, which equals 92% of the total 2023 budget. YTD PIF revenue equaled \$663K, which is 91% of the total budget.

Capital Improvement Plan (CIP) expenses equaled \$1.86M.

As of October 31, 2023, the Districts total reserves equaled approximately \$2.7M.

Customer(s) Accounts Receivable as of October 31, 2023, was approximately \$13,000; all are residential accounts. Mrs. Smith and Mrs. Kuntz will continue to work with all past-due customers to collect the fees.

Director Shively suggested charging interest to customers that are past due to motivate them to pay on time.

VII. PUBLIC HEARING: 2024 WATER AND WASTEWATER COLLECTION SERVICE FEES – CONSIDER RESOLUTION AND ADOPTION

VIII. PUBLIC HEARING: 2024 FINAL DRAFT BUDGET- CONSIDER RESOLUTION AND ADOPTION

MOTION: To open the Public Hearing for both the Proposed 2024 Water and Wastewater Collection Fees and the 2024 Final Draft Budget at 8:12am.

APPROVED: Vote 5-0

Mr. Alfone described the procedures needed to increase service fees and to approve the annual budget. Per statute, the District must advertise for a Public Hearing in the local paper for any proposed rate increases 30 days in advance of the Board Meeting/Public Hearing. The notice was posted in the SB Pilot and Today on November 7th, 2023. A separate notice was posted on the same date for the proposed 2024 budget, also in the SB Pilot and Today. The posting alerts customers that the 2024 budget has been presented to the Board (reviewed at the October 13th meeting) and this allows for public inspection, any objections to be filed, and satisfies all notification requirements to District customers. There were no members of the public on the call/TEAMS meeting, or in attendance, and District staff did not hear any budget objections from the public prior to the Board meeting.

At the November 3rd, 2023, meeting, the updated financial models were presented, potential services rate increases discussed, and these increases are now under consideration as well as two funding mechanisms to fund the Phase 2B project. Prior to the meeting, Mr. Alfone distributed information about the 2M Line of Credit (LOC) status, including the LOC approval notice from Mountain Valley Bank. The proposed \$2M Colorado Water Resources and Power Development Authority (CWRPDA) loan application will also be discussed.

Once the service fees increase and the final 2024 draft budget are decided upon, the Board should make a separate motion and pass a resolution regarding each item.

The Board raised concerns about whether or not customers would know to check public places, or the District website where the Agenda is posted, regarding these proposed rate increases. Mr. Alfone noted that there has not historically been any specific communication regarding the public hearing other than posting at the local public places and on the District's website. However, a letter describing the increase (if approved) will be included in the 2023 4th quarter billing statements sent out in early January 2024 to District customers. A second letter will be sent in early April accompanying the 2024 Q1 invoices. The Board agreed these two notices constitute sufficient communication. A question was asked if District customers have raised concerns about past increases. Mr. Alfone stated that the staff has received minimal feedback regarding past increases.

Mr. Alfone provided the 2024 budget overview (Word Document) to the Board. Included was the "summary" portion that provides a high-level overview of budget expenses and revenues. The narrative is a requirement per State Statute and explains the budget assumptions in detail. Also included were several worksheets from the budget that depict revenues, operating costs, future CIP projects expenses, and a "look-ahead, projection" of 20 years. Mr. Alfone reviewed the summary sheet which gives an overview of 2022 actuals, budget figures for 2023, year-end projection for 2023, and proposed 2024 budget. Mr. Alfone went over budget highlights including service charges for water and wastewater collection with the proposed 20% increase. If the 20% increase is approved, total operating revenues are projected to be 18% more than projected 2023 actual. Operating costs are projected to increase 7% over projected 2023 actual and 5% increase above the 2023 budget. Operating income is anticipated to be \$1.3M.

Plant Investment Fees (PIF) are forecasted to equal \$700K for 2023, but may come in at about \$900K, due to the newly anticipated Holiday Inn Express PIF, if paid in 2023. The owner of the hotel informed the District that payment equal to \$200K has been mailed. For 2024, \$1.2 is budgeted for PIF revenue which includes several large projects scheduled to be built next year, including the new hotel by Alpine Bank and the Mid-Valley/Yampa Valley Housing Authority (YVHA) project. Mr. Alfone anticipates the Astrid and the Amble projects potentially paying PIF fees as well in 2024, however he did not factor in those projects PIF revenue as they have not been approved by City Counsel as of this meeting. To maintain a conservative approach to the PIF revenue projection, single family homes and duplexes were not factored into the 2024 budget. The Mid-Valley/YVHA project will be a phased project, so he only accounted for half of the total PIF revenue in 2024 and the rest in 2025. There is development activity anticipated at the Thunderhead Beach project next to the T-Bar, and a development company is working closely with Ski Corp. to purchase the parcel, thus this project could potentially start in 2025 also. This projected PIF revenue would most likely be collected in 2025.

Capital projects are budgeted at \$8.2M for 2024 with \$6.6M estimated for the Phase 2B project. After factoring in the City's contribution, the net District CIP budget will be about \$4.84M. Beginning reserves in 2024 are projected to be \$2M, and projected year-end '24 reserves will be approximately \$1.6M, including the \$2M loan issuance or LOC and payments of interest and principal on the existing CWRPDA loans.

Director Koermer requested more information about the LOC and the CWRPDA Loan. The interest rate for the line of credit would equal 7.5% and a CWRPDA loan would have an interest rate equal to 3 to 3.5%. The CWRPDA loan term would be 20 years, while the LOC would only be used when the money is needed and as PIF revenue comes in, the District could pay the LOC down or pay it off to avoid or reduce interest payments. If PIF revenue is collected at strategic times, there may not be a need to draw on the LOC. Director Gebhardt mentioned that by being conservative with issuing debt, and as a governmental entity,

reduced interest paid on a loan is almost considered a windfall paid back to constituents. He noted that taking on more long-term debt for short term cash flow needs is not prudent. Mr. Alfone's memo, stating that after researching LOC options with two local banks, Mountain Valley Bank's (MVB) terms (e-mailed previously to the Board) were materially better than the other local option. It was noted that the relationship with Director Gebhardt as an employee of Mountain Valley Bank did not factor into the selection process, as the MVB LOC terms were more advantageous for the District. A question was raised about the comparison worksheet; why were additional direct construction costs, engineering, and consultant fees factored into the CWRPDA loan but not the LOC. This is because the direct construction costs, engineering, and consultant fees are necessary to receive loan approval, and certain documents must be provided as backup to CWRPDA and the Colorado Department of Health and Environment (CDPHE) when completing the loan application and back up documentation. Carollo Engineering would have to provide that data, as this is required as part of the Project Needs Assessment (PNA) which the reviewing agencies require mainly to provide proof that the scope of project work is truly related to the loan. These are also the additional administrative tasks per the loan requirements. Other consultant fees might apply if the District would be mandated to perform an environmental analysis, which would require the District to notify Colorado Parks and Wildlife (CPW), US Fish & Wildlife and other potential entities so that they could weigh in on the project (2B) scope. Mr. Alfone estimated the potential consultant fees at \$30K, but less than was incurred for the Yampa Wells Infiltration Gallery Project loan submittal. Direct construction costs are costs contractors will charge the District to ensure they adhere to the Build America Buy America Act and certification of project products and supplies through the American Iron and Steel Act. Direct costs for American made products, as well as an administrative costs to obtain certification letters from the manufacturer, result in higher construction costs. The certification letters must be provided to CWRPDA/CDPHE when applying for a pay application reimbursement to the District. Mr. Alfone has been working with the current project manager of Moltz Construction, Inc. and the \$114K estimate is the additional cost for buying American, administration, and Davis Bacon Wage compliance. These estimated costs associated with the CWRPDA loan are not required when obtaining a LOC. And the process to get the CWRPDA loan would take longer compared to the LOC and the District would most likely not receive approval for the loan until late summer, 2024. Due to the projected loan approval timing, the District would be reimbursed after payments to the General Contractor are made by the District, thus potentially causing a cash flow issue. Mr. Alfone and Mr. Cahill have been working on the loan application and are scheduled to talk to the State agencies about the loan application submittal on December 19th.

Director White mentioned the LOC process/implementation will be a good learning experience for the District since it has not done this in the past and allow flexibility managing pay applications related to normal, day-to-day operating costs during the 2B project. Plus, if there was an emergency in the future, having this cash flow available would be an advantage for the District. He also mentioned that with the LOC the District could still adhere to the Build America Buy America process and request quotes from the GC for products made in the USA versus not, and the District could determine if it is non-material to buy American made products, which the District should always try to do.

Director Malia noted borrowing and keeping the money local is also an advantage with the LOC. There are two big components of Phase 2B, the lime silo and batching system and the CO2 tank with the support structure and both of those components are made in America. Many of the electric and control products come from overseas. Mr. Gilman noted that being on such a tight schedule with 2B and having to shut down the Fish Creek Plant as well as the Wells Plant during the project, that if products are sourced in America, it could negatively impact lead times. Not having to adhere to the "Made in America" requirement would

provide the District more flexibility for successfully completing the project on schedule and on budget.

The costs (timing and schedule) of Phase 2B and the Ski Time Square Turnaround projects were discussed. The District entered into an early procurement contract with Moltz for the large equipment needed for 2B, thus deposit checks have been delivered to equipment manufacturers. Mr. Alfone budgeted \$986K in 2023 for these “deposits” which represents a small percentage of the total 7.4M project cost, and next year he anticipates the remaining project cost (\$6.6M) will be paid in 2024 starting in late summer and into late fall. Regarding the Ski Time Square Turnaround project, it is a 6-month project expected to start in April 2024, and Mr. Alfone budgeted \$580K in 2024. He believes payments to the contractor (Native Excavating, Inc.) will occur throughout the summer months and into the fall. As most of the Phase 2B pay applications will most likely occur in the fall, there may be an opportunity to work with Moltz Construction if cash flow issues come up. Director White noted that after deposits are received for large equipment, suppliers can identify timelines and milestone dates for payments, thus making it easier to work through any cash flow issues with Moltz. If a LOC is chosen, the District will be able to forecast and plan for cash flow needs. In the future if PIF fee revenue does not materialize as anticipated, the District may consider the loan, or a combination of a loan coupled with the LOC providing more flexibility for the District.

Future CIP projects and the 20-year look ahead were discussed. Director White and Mr. Alfone worked on large master plan Fisk Creek Plant project(s) timeline and highlighted them in yellow on the spreadsheet. They factored in design and engineering to happen two years prior to beginning the project and a one-year construction timeline per project. They accounted for inflation and added contingency percentages according to the future year to start projects. The CIP plan factors in a 1.5% rate(s) increase over the next 9 years, starting in 2025, as recommended by Mr. Berg. Each year the reserves’ goal is to maintain enough capital to satisfy the loan covenants and carry adequate reserves for emergencies or unforeseen costs. At year-end 2043, the District is projected to have \$7.8M in reserves. The Board directed staff to consider higher rate increases regarding the 10-year projection to avoid hefty rate increases in the future. Mr. Alfone budgeted \$50K in 2024 to contract with Carollo Financial Services to investigate service rates structures, tiered water volume costs, allotted amount of water per each tier, and PIF per-fixture points rates.

MOTION: Director Gebhardt moved to approve the Resolution to increase both Water and Wastewater Collection Service Rates by 20% on January 1, 2024. Director Shively seconded the motion.

APPROVED: Vote 5-0

MOTION: Director Shively moved to approve the 2M Line of Credit, including the associated terms with Mountain Valley Bank. Director White seconded the motion.

APPROVED: Vote 4-0 (Director Gebhardt abstained).

MOTION: Director White moved to approve the Resolution for the 2024 Budget as presented. Director Shively seconded the motion.

APPROVED: Vote 5-0

MOTION: To close the Public Hearing for the proposed 2024 Water and Wastewater Collection Service Fees and the 2024 Final Draft Budget at 9:13AM.

APPROVED: Vote 5-0

IX. COMMITTEE REPORTS

- A. Budget and Audit Committee Report – this topic was discussed during the Public Hearing.
- B. Succession Committee Report – the District is fully staffed. Director Malia asked how filling the District Engineer position is progressing. Mr. Alfone noted that Mr. Cahill has taken over responsibility for City of SBS planning and design review of projects located in the District. He is also working closely with Mr. Gilman learning the technical parts of water and wastewater infrastructure review and since his arrival (10-2-23) at the District, everything regarding the review and approval of private development projects is going well. He has also started to assist the GM and Operations Manager with in-house project management, easement review, and special projects assistance. Directors White and Koerner directed the GM to schedule a Succession Committee Meeting in early January to review staff wages, the organizational chart, and future staffing needs.
- C. Water Matters Committee Report – Mr. Alfone forwarded the letter to the Board that he recently sent to Dan Parillo (GM at the Sheraton). Mr. Parillo also oversees the Rollingstone Golf Course. The letter is a result of the Committee’s and Board’s direction to focus working with the City on installing measurement devices at Fish Creek and Long Lake Reservoirs. He has not received a reply from Mr. Parillo and the letter did express that the District is not opposed to an amendment or extension of their existing Raw Water Agreement with the Golf Course, but at this time, other items need prioritized. The existing Agreement expires December 31, 2030. In 2024, the District will begin discussions with the City and other entities to plan, schedule, and gain approvals for a possible 2025 summer construction timeline for the devices.

Director Shively inquired about the Friends of the Yampa submittal to the Colorado Water Quality Control Commission to designate 11 streams within the Yampa River Basin as “Outstanding Waters” with Fish Creek being one of them. He asked if there were any issues or restrictions for the District because of this designation. Counsel Sharp asked if the District could suggest that Fish Creek have a special categorization starting immediately above and below the raw water intake for the Treatment Plant. The main reason is that in the future, the District is scheduled to perform major upgrades to this intake/diversion structure and this designation may add another layer of approval needed. And it will most likely be problematic enough to work with the Division of Water Resources, the Army Corp. of Engineers, thus adding CDPHE as another regulatory entity that must provide approval for future work would possibly make it more challenging, since water quality will be disturbed during construction. He suggested designating everything above the head gate “Outstanding Waters” and everything below; remove the designation. Mr. Alfone said he asked the same question to Friends of the Yampa and researched the designation. He discovered that temporary and or partial degradation is allowed during a project and if you can demonstrate the project does not permanently degrade the stream, projects like rebuilding the intake structure are allowed. Counsel Sharp emphasized that if this reach of the stream is limited to immediately above and include the intake area, then the District will not need design review of the plans and approval by CDPHE. Mr. Alfone will contact Friends of the Yampa and request further information.

X. REPORT OF GENERAL MANAGER

- A. Executive Summary Review – Counsel Sharp asked about the City establishing a Storm Water Utility and asked if the District is involved with the review and is the City looking to the District to be an intermediary for the fee collection process. Mr. Alfone explained that the next step for the City is to hire a consultant to start analyzing ideas, create a fee structure, and determine a mechanism to charge fees. Counsel Sharp recommended the District not collect fees for the City as it will not have any control over infrastructure, planning, development, etc. of the storm water within the District. Per the existing Special Connectors

Terms and Conditions Ordinance, if the Utility is implemented, the City may expect the District to begin Storm Water Utility operations. When the ordinance was being considered, the District expressly notified the City it disagreed with conducting Storm Water operations and he again suggested having the City invoice District customers directly for any future Storm Water Utility Fees.

Counsel Sharp asked if the City is planning to install the new 4 vertical wells on the west side of the Yampa River? Mr. Alfone stated the City requested proposals and received 2, however, both proposals were submitted by well drillers, thus they did not receive any interest from General Contractors to manage the entire project. The project will probably occur in 2024, or 2025. Mrs. Carr noted the City is planning another RFP in early 2024 and construction may happen in 2024 but with longer lead times on controls and electrical equipment, startup may not occur until 2025.

Director Malia asked if there was a set meeting to continue negotiations with the City regarding the draft agreements. Mr. Alfone stated there was not a scheduled meeting and the District submitted redlines about the most recent draft to the City in July and has not gotten a response yet from them. Mrs. Carr said the City's assistant attorney and her have had to focus on other matters and have not reviewed the agreements yet.

Director Koermer asked about the project timing of the new orthophosphate system (2B) and when notifications will be sent to those entities that have installed private systems? Mr. Alfone informed the Board that they will start conversations next quarter with District and City staff about this matter. The 2B project completion is scheduled for late November of next year, thus the City and District need to decide when they would require private systems to be removed if that is the decision/direction agreed to, therefore the notification should occur in Quarter 2 or 3 in 2024. Director Koermer mentioned that there are still several older properties receiving "sales pitches" about installing private orthophosphate systems and they have been considering installing a system to slow down their pinhole leaks in copper water tubing. Mr. Gilman mentioned fielding a few calls from properties asking if they should pursue a private orthophosphate system, or not. Mr. Gilman noted that collaborating with the City on outreach/education is important and determining a process to confirm that systems have been disconnected will be critical so that they would not be operating them in conjunction with the District's system when it comes online.

Mr. Gilman stated that amendments have been made to the Lead and Copper Rule by the Colorado Department of Public Health and Environment (CDPHE). Outside of sampling requirements, they are focused on systems completing a lead water service line inventory, which is a mandate from the EPA and adopted by CDPHE. They have provided guidance documents for Districts on how to complete the inventory with a deadline of October 2024 to begin the inventory. There are many components to this process, with the goal of determining which ones may or may not contain lead in the service lines or appurtenances. Review of historical records and documentation, dates installed, and correlating said dates to when lead was prohibited to be used, as well as reviewing distinct types of materials used at that time of installation to determine what the service line(s) material may contain. Previously and to the best of District's knowledge, District water service lines do not contain lead, however now that the rules are stricter, this is no longer adequate to report to CDPHE, thus requiring the inventory to be completed in 2024. The verification process might include digging up existing service lines. Mr. Gilman is considering contracting with Sunrise Engineering, as they are well versed on water and wastewater infrastructure, can do this inventory, and are a consultant that has worked with CDPHE on this item in the past. The District's size prohibits it from taking advantage of inventory services for free, however there are potential grant opportunities to offset the cost with Sunrise to perform the required

scope of work. After discussing the Mount Werner Water system including the age of the infrastructure, Sunrise feels confident there would not be a large number of lead service lines, if any. The bulk of the project is reviewing records and providing written verification as proof of no lead in the lines. Mr. Gilman stated the project will start in early 2024 and he does not see any significant issues other than a lot of paperwork/files to sift through to find what is needed. This project includes every service line within the system. Mr. Gilman said they can utilize historical MWW Specifications, District staff inspections of installations, as-built drawings, and three-point tie sheets. Older pipes may need supplemental documentation if details are missing. If direct records are not available, a smaller scale sample pool can be accepted. Mr. Gilman said the inventory includes the service line from the water main to the meter inside the house. The City received a grant to have a consultant complete their lead service line inventory and Mrs. Carr said it was a straightforward process to apply for the grant. Mr. Gilman mentioned there is a lot of money available through grants for this project and he will research all available options. The consultant will function as a third-party verification that everything is being submitted correctly and adhering to the regulatory requirements. The next step after the inventory would be to replace those service lines found to contain lead.

XI. REPORT OF GENERAL COUNSEL

- A. Counsel Report – Counsel Sharp noted that he is remaining current with filings for Ski Corp. regarding their new Metro Districts, he has reviewed their proposed court orders, and their election in November passed unanimously. Ski Corp. recently filed with the District Court their new directors’ oaths of offices, bonds, and insurance. The court order for each of the 6 new Districts included (in the last paragraph) expressly adopts and makes part of the court-order wording the District prepared, and that Ski Corp. agreed to add. He is confident the District accomplished its objective due to the added language.

XII. UNFINISHED BUSINESS

- A. Mr. Alfone will e-mail the Calendar for 2024 Board meeting dates to the Board.
B. Holiday Party – this year’s party is at the Ore House on December 15th at 6pm.

XIII. ADJOURN

The next Regular Board meeting date is scheduled for January 19th, 2024, at 8:00 A.M.

There being no further business, the meeting adjourned at 9:36 A.M.

Respectfully submitted,

Frank Alfone, Secretary/General Manager