

MINUTES OF A SPECIAL 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-April 29th, 2022

DIRECTORS PRESENT: Gavin Malia, John Shively, Alan Koermer, Don White (in person)
Wade Gebhardt (via Microsoft Teams)

DIRECTORS ABSENT: None

STAFF PRESENT: Frank Alfone, General Manager
Cat Smith, Business Manager
Tyler Gilman, Operations Manager
Tom Sharp, General Counsel (via Microsoft Teams)

OTHERS PRESENT Michelle Carr, Distribution & Collection Manager, City of Steamboat Springs
Jason Assouline, PE, Carollo Engineers, Inc.
Cody Berg, Associate VP and Financial Services Lead, Carollo Engineers, Inc.
Seema Chavan, Principal/Associate VP, Carollo Engineers, Inc.
(All 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 8:01 A.M.

II. ACKNOWLEDGE PUBLIC

Mr. Alfone introduced the Carollo Team, and their recent project work performed for the District. Mr. Assouline has been working on the Phase 2a and 2b projects and has been contracted with the District since the inception of the Facilities Master Plan (FMP). Mr. Berg has worked on the financial modeling/rate scenarios and Ms. Chavan has worked on strategic federal, state, and local funding opportunities for future CIP Projects of the District.

Ms. Carr attended on behalf of the City of Steamboat Springs.

III. APPROVAL OF AGENDA FOR MEETING

Director Malia asked if there were any changes to the agenda. Director Shively asked for an explanation of the FMP-Phase 2b project design drawings process (30%, 60% and 90%) and how it works. It was agreed to add that item under the Phase 2b project review.

MOTION: To approve the agenda with the addition of the 30-60-90 % design drawings progression discussion.

APPROVED: Vote 5-0

IV. APPROVAL OF SUBMITTED MINUTES OF PREVIOUS MEETINGS

A. From the March 18th, 2022, Regular Board Meeting.

MOTION: To approve the minutes from the March 18th, 2022, Regular Board Meeting.

APPROVED: Vote 5-0

V. PUBLIC COMMENT

None

VI. UNFINISHED BUSINESS

A. Phase 2B – Fish Creek Treatment Plant Project

1. Project Update – Mr. Alfone provided the board a quick update about the Phase 2a project. Work includes the installation of baffle curtains in the 2M gallon tank and replacement of all electrical gear (Motor Control Center (MCC) at the Fish Creek Plant. This phase is scheduled to start in late August and finish in early November. Phase 2a will cost \$1.4M and will be jointly funded by the District and the City.

Mr. Alfone gave an overview of the FMP, Phase 2b Fish Creek Treatment Plant Project (New Chemical Facility AKA as the Optimal Corrosion Control Treatment (OCCT) project). Mr. Alfone thanked Mr. Gilman and Director White for their input on Phase 2b and providing the Board with detailed information for discussion today to determine the next step (s) for the project. To date, the District has received a 30% and 60% set of drawings from Carollo and an estimate from Moltz Construction for each stage of the design. The District asked Carollo to provide another engineer's estimate for Phase 2b. Director White prepared a side-by-side comparison of the estimate that was included in the Board meeting packet. The 60% estimate from Moltz was \$15.4M and the engineers estimate from Carollo equaled 14.8M. Mr. Alfone has spoken with Moltz's President, Mike Butler and following receipt of the estimates, there have been a number of "team" project meetings/discussions about value engineering aspects of the project and or reducing the planned scope of work. Future next steps include researching funding opportunities, revising the financial model and considering raising rates for District customers. Grant opportunities are also under review and Carollo has been looking into these options and will present on this topic shortly. Another possible step is to request that Carollo take the drawings to 90% and ask Moltz to prepare another estimate. From there, a final Gross Maximum Price (GMP) would be developed and agreed to with a final construction contract negotiated as the last step prior to construction commencing. The timeline to execute the final contract would be this fall or early winter with a potential construction start date of Spring ,2023.

Mr. Alfone, Director White, and Mr. Gilman discussed at a recent meeting the risks and rewards of doing the project versus not doing the project. The reward of not doing it would be the District would save the required capital outlay (about 7.5M/50% of the total project cost), however the risk is if there would be another lead exceedance, the District might be forced to do the project and on a very accelerated timeline, possibly driving the cost even higher. The primary reward of

doing the project would be that the District and City would have the OCCT in place which would help prevent future lead exceedances in the water distribution system and copper exceedances at the Wastewater Treatment Plant (WWTP). An additional option would be for the District to take the design to 100%, then advertise the project for bid. If Moltz was not utilized any longer, and the project “bid-out,” there is a possibility of a much higher price and substantial scheduling issues, mainly a longer completion date into the future. Mr. Gilman discussed how the corrosive water negatively impacts the District’s plant(s) and distribution system water infrastructure and the CDPHE and EPA regulatory factors that are driving the project.

Director White discussed the 30-60-90% design drawings progression and what that means, 30% being less precise, essentially an “estimate on the back of a napkin” and mostly conceptual with minimal details, 60-75% is high level, but fairly detailed drawings and he noted that the project scope won’t change much from 60-90%, maybe 10-15%, thus the estimate at this stage will be pretty close to a final estimate – i.e., at the 90% drawing stage. Mr. Assouline explained that Carollo’s 60% drawings are incredibly detailed because they wanted to eliminate questions from Moltz and have more cost certainty. Mr. White informed the Board that when this project goes from 60 to the 90% design, the District won’t find \$5M in savings, i.e., it will not end up being a \$10M project. The District could further request from Moltz more details about the self-performed portion of the project versus what is subcontracted out and we should request that multiple bids be provided for what is subbed out. However, that may or may not lead to project savings as using local contractors to save on travel, hotel, per diem is probably not feasible as local contractors are very busy and may not be able to manage the workload, or have the skill set(s), to complete the necessary details of the project.

Carollo and MWW Staff conducted a pilot test to ensure that the changes outlined in the Phase 2b project would help with the lead and copper exceedance issues and CDPHE reviewed it with great scrutiny and detail. The project would also provide better holding capacity for chemicals and the ability to have more inventory on hand.

Ms. Carr mentioned that since there are only 5 or 6 homes where there is an exceedance why not look at replacing their individual water lines as opposed to constructing the OCCT. This is a possibility, but the water would still be corrosive and could negatively impact other piping and continue to cause pinhole leaks in properties and potential exceedances. Ms. Carr mentioned that the City would not be able to produce their half of the money immediately for the Phase 2b project. Counsel Sharp described the repercussions if an entity does not have the funding for the project, and that the District may not have the bonding capacity to fund 100% of the project, without substantially raising service rates. CDPHE could

impose a penalty, however, they could not force the District to do the project if there were not available funds.

2. Funding Matrix – Ms. Chavan reviewed and highlighted possible grants and funding opportunities (loans) that she researched for the Phase 2b project. She shared a PowerPoint presentation with the Board and focused on explaining the details of the “high probability of success funding” options. She discussed the funding strategy being continuous with Federal, State, and local opportunities. The American Rescue Plan Act (ARPA) which is the Coronavirus Recovery Fund, and the Bipartisan Infrastructure Law are avenues to explore. The State Revolving Fund (SRF) loan program is a front leader for a low interest loan to fund 2b and might also be used for potential private line replacement for lead containing pipes.
3. Water and Wastewater Financial Model Update and Rate Scenarios – Mr. Berg discussed the updated model/rate increase scenarios with the revised cost of the Phase 2b project added in (using 7.5M – the Districts cost share of the project). The Board’s goals to maintain 180 days of operating funds for reserves, provide for an emergency CIP Fund and keep required debt service ratios in place were incorporated into the model update. Mr. Berg shared a PowerPoint presentation with the Board detailing 10 and 20-year “look-out” projections, which incorporate three scenarios that include utility rate increases and debt issuances of various amounts.

VII. MOTION: To adjourn the Regular Meeting and go into Executive Session at approximately 10:43 A.M. , under C.R.S 24-6-402(4)(b) regarding legal advice on specific legal questions for Project 2b, (Chemical Facility) and C.R.S 24-6-402(4)(e) for determining positions relative to matters in negotiation for City of Steamboat Springs Agreements.

APPROVED: Vote 5-0

MOTION: To come out of Executive Session and reconvene the Regular Meeting at 11:38 A.M. with no action having been taken.

APPROVED: Vote 5-0

MOTION: the Board directed staff to:

- Pause the Phase 2B project, including no additional estimating, no advancement to a GMP, and no negotiating a final construction contract with Moltz
- Explore find and replace programs for private water line replacement
- Prepare an inventory of the Tier 1 and 2 testing sites for the LCR program
- Explore the pros and cons of an Orthophosphate System in lieu of the OCCT, including working with the City to understand the ramifications of phosphorous loading at the WWTP, treatment impacts and the status of the new WWTP effluent permit.

APPROVED: Vote 5-0

The Board directed Mr. Alfone to discuss with Mr. Assouline what he would recommend as the best stopping point to discontinue design and engineering for the project, i.e., to 90% drawings.

Counsel Sharp will investigate what regulatory authority CDPHE has to force the District to complete the OCCT project and what power does the District have to force owners to replace private water lines that contain lead in solder within copper water piping joints.

VIII. NEW BUSINESS

- A. Consider new October Board Meeting Date – from October 14th to October 7th – Mr. Alfone will send an e-mail to the Board about this item.
- B. Staff or Directors may raise for discussion any new business related to the business of the District.

There were no additional new business items discussed.

IX. ADJOURN

The next Regular Board meeting is May 20, 2021, at 8:00 A.M.

There being no further business, the meeting was adjourned at 11:39 A.M.