

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-July 15th, 2022

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

DIRECTORS ABSENT: None

STAFF PRESENT: Frank Alfone, General Manager
Tyler Gilman, Operations Manager
Cat Smith, Business Manager
Tom Sharp, General Counsel

OTHERS PRESENT: Michelle Carr, Distribution & Collection Manager, City of Steamboat Springs
(via Microsoft Teams)
Kelly Watson, CPA, Watson Coon Ryan, LLC (via Microsoft Teams)
Jon Snyder, Public Works Director, City of Steamboat Springs (via Microsoft
Teams)
Craig Robinson, Parks, Open Space & Trails Manager, City of Steamboat
Springs (via Microsoft Teams)
Mitch Clark, Snow Country Nursery (in person)
Walter Magill, PE, Four Points Surveying and Engineering (in person)
Chris Wilson (in person)

I. ESTABLISHMENT OF QUORUM AND CALL TO ORDER

Director Malia stated that a quorum was present and called the meeting to order at 8:03 A.M.

II. ACKNOWLEDGE PUBLIC

Chris Wilson introduced himself as did Kelly Watson, CPA.

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 MEETINGS

A. From the May 20, 2022, Regular Board Meeting

MOTION: To approve the minutes from the May 20th, 2022, Regular Board Meeting.

APPROVED: Vote 5-0

V. PUBLIC COMMENT

None

VI. BUDGET AND AUDIT COMMITTEE – 2021 SINGLE AUDIT – REPORT PRESENTATION, KELLY WATSON, WATSON, COON, RYAN, LLC

Ms. Watson gave a high-level overview about the Single Audit. There were no material findings of concern, and she mentioned the final report will be completed next week. She recommended the District add language to their procurement documentation, mainly to outline the next steps the District takes after responses to proposals are received include a conflict-of-interest policy within the procurement section. Mr. Alfone noted that the audit will be submitted to the State by July 30th, the deadline is September 30. Mr. Alfone will e-mail the Audit to the Board and if there are no comments, or concerns, it will be submitted to the State and Federal Audit Clearinghouse.

MOTION: To approve the 2021 Financial/Single Audit contingent upon Mr. Alfone sending the final report to the Board. If no significant changes or concerns are identified, the Audit will be submitted to the State of Colorado and the Federal Audit Clearinghouse.

APPROVE: Vote 5-0

VII. TREASURER’S REPORT

A. Financial Statement – April and May 2022 Final Financial Reports

On April 30th, Total Operating Revenues equaled \$660K, with the District pacing ahead of the water service budget revenue by \$32K and wastewater collection revenue by \$7.5K. PIF revenue continues to grow, and on April 30th, was 71% of the total 2022 budget. The Greenhorn Ranch and Base Area new developments were substantial PIF payments. Additional PIF revenue might be realized with two new hotels potentially breaking ground this year and a development on Weiss Drive with an estimated 42 units. Total Operating Costs are under budget by \$134K. CIP expenses are over budget, mainly due to timing as the District preordered PVC pipe for Phase 3 of the Sewer Interceptor Project. The pipe was received in March, and it was paid for in April.

On May 31st, the PIF revenue was 90% of the '22 budget, totaling \$401K. The District is pacing below budget in expenses and ahead of budget in PIF revenue.

Reserves – on May 31, the reserves balance equaled approximately \$2.3M.

The Accounts Receivable balance from 1st Quarter Billing is about \$3,400 and only two or three customers are two quarters past due. District staff is working with those customers to bring their accounts current.

The Board approved the financials as presented.

B. 2023 Draft Budget – October 7, 2022, Presentation

The draft budget is due to the Board by October 15th. The Budget will be the main Agenda topic for the October 7th Board meeting.

VIII. COMMITTEE REPORTS

A. Water Matters Committee (WMC) Report – recap July 12, 2022, meeting

Mr. Alfone provided a quick update about the July 12th WMC meeting with Directors Gebhardt and Malia, Jonathan Kelly, Mark Hamilton, and Mr. Alfone. Two main topics were discussed:

1. Rollingstone Golf Course Raw Water Agreement – the agreement expires in 2030 and Rollingstone requested that the Committee consider an extension now. The Committee will work through the proposed terms of the new agreement with Mr. Hamilton & Mr. Kelley and make a recommendation to the Board. Rollingstone filed junior water rights on Fish Creek, and they would like to file for absolute status for these rights. The committee does not believe this will harm the District’s Water Rights but will study it more thoroughly. If the District determines there are no issues, we will agree not to protest the filing and incorporate language about this into the new agreement. They also discussed how to account for Fish Creek reservoir releases as some of that water is currently being used annually by the Golf Course. This is not identified in the existing agreement and would need to be added to a new agreement recommended to the Board.
2. The Upper Yampa Water Conservancy District protested a water right abandonment filing (in Division 6) in Yamcolo Reservoir. The entire right is equal to about 1000 acre-feet. The abandonment is a partial abandonment equal to 410-acre feet. Per the Division 6 Engineer, it is the only right that can be used for augmentation, critical to the District’s Augmentation Plans. Upper Yampa has protested the abandonment and Mr. Alfone will keep the Committee and Board posted on developments.

B. Succession Committee Report-

a. Consideration of Employee Mid-Year Salary or Hourly Wage Increases

At the last Succession Committee meeting, Mr. Alfone proposed a mid-year salary or hourly wage increase and an employee retention bonus. A memo. was circulated to the Board members about the topic. Mr. Alfone recommended a 5% wage increase which would be retroactive to July 1st 2022. Directors White and Koermer agreed, however recommend raising the proposed wage increase to 6% and providing employees a \$500 retention bonus per quarter worked during the Corona Virus Pandemic – for 2 years, or 4 quarters. Director Malia reviewed past wage increases and future ones including the suggested 6% increase Jan 1, 2023, and the 3% mid-year increase in 2023. If all of them are approved, the total increases would be in the 20% range from Jan 1, 2022, to July 1, 2023. The future increases are not yet approved or guaranteed, and only will be noted as a placeholder in the ’23 preliminary budget. The Board will have to evaluate the CPI for December and mid-year, 2023. Discussion about “across the board” increases took place and Mr. Alfone noted that the proposed 7-1-22 increase and future increases are requested to cover high CPI levels and are not performance based. For the 2023 budget figures, Mr. Alfone will continue to monitor the CPI and the Board will decide about wage

increases at those future dates. The Board discussed current staffing levels and positions to be filled with pending, future retirements.

b. Consideration of Employee Retention Bonuses

In the future, and on a case-by-case basis, the Board will consider, bonuses, and wage increases, instead of approving similar/overall increases amongst all the staff. Director White mentioned that the \$500/quarter bonus reinforces the Board's appreciation for the staff, especially when working through the Covid crisis.

MOTION: To approve a retroactive 6% wage increase on July 1st, 2022, for all staff members and a \$500 retention bonus per quarter (maximum \$2000) during the Covid pandemic. Employees must have worked the entire quarter to qualify for each quarterly bonus.

APPROVED: Vote 5-0

IX. REPORT OF GENERAL MANAGER

A. Executive Summary Review

Mr. Alfone asked if there were any questions about the summary. The new Village Drive Townhomes sewer infrastructure was discussed. The new units (12) can tie into the existing sewer line under Walton Creek Road, however, District staff would prefer that they tie into the sewer main line under Village Drive and ask the owners to grant an easement to the District that would allow for a redirected alignment, thus allowing the District to abandon a section of old clay pipe under Village Drive. The project could potentially be cost-shared between the District and the developer. The letter regarding the Sanitary Survey from CDPHE was discussed. The District scored very well with no deficiencies or violations noted. CDPHE provided a few high-level recommendations such as additional security around buildings and suggested that the District take ownership of the water meters as opposed to customers owning them. It was preliminarily discussed that the District could do a phased approach to meter ownership and during the transition it might also be an ideal time to convert to gallons from cubic meters.

Mr. Gilman created a Water Production and Consumption snapshot document which depicts plant (s) production, and Fish Creek diversions. During the Phase 2a Project, the Fish Creek Plant will close for 2 months to install new baffle curtains in the 2MG tank and replace the main electrical gear at the FCTP. The shutdown date is September 15 with a back on-line date scheduled for November 18. Mr. Gilman and staff are preparing the Yampa Wells Plant for water production increases when the FC plant is off-line.

Watering infractions have been minor this summer.

X. FACILITIES MASTER PLAN (FMP) PHASE 2B PROJECT – ALTERNATIVES ANALYSIS

Per the memo., Mr. Alfone explained the different options and alternatives for Phase 2B. Mr. Alfone, Mr. Gilman, Mrs. Carr, and Carollo Engineers have discussed at length the idea of adding a District wide orthophosphate injection system. The City has been working with Jacobs Engineering and they determined that at the ortho. dose we are proposing to use, no major impacts of using

orthophosphate will result and believe it is a viable option. The District has been working with Carollo Engineers to determine what options there are utilizing orthophosphate versus the original Phase 2b system (raise PH and Alkalinity with Caustic and CO₂). Two options for the Orthophosphate system were identified and, in addition to injecting orthophosphate, other chemicals must be added to increase the PH and alkalinity (at much lower levels needed than the original 2b) of the water for the orthophosphate to be effective. The original Phase 2B cost, at a 60% drawings level, was estimated to be \$15.4M.

- Option 1 is a combination of adding Orthophosphate and Sodium Bicarbonate, however, the amount of Sodium Bicarbonate needed is substantial and could lead to large build-up of the chemical in the tanks, as it may require up to about 15K pounds a day of the product. The size of the silo needed for this option would be much bigger and the estimated cost equals \$4.6M (silo and associated infrastructure), thus this was not considered a viable option.
- Option 2 would use orthophosphate with a combination of lime and CO₂ to raise the alkalinity and PH. A smaller silo than Option 1 and batch tank would be needed to store the lime slurry mixture. Estimated cost of the entire project would be \$6.6M.

Mr. Gilman explained the treatment process at the Fish Creek Plant; currently Soda Ash is used to adjust the PH, with option 2, lime would replace Soda Ash. Currently, a lot of Soda Ash must be added, resulting in a buildup in the tanks. If lime were used, it would be batched into a wet slurry and would be a more efficient mix with less precipitation into the tanks equaling less buildup. The preliminary annual estimates for 2b chemicals were discussed. Option 1 would be about \$3M/year in product alone for the Bicarbonate and with Option number 2, which combines lime and CO₂, the cost of the product would be about \$335K. Currently the District uses chemicals costing close to \$223K. Option 2 would also save over \$100K in chemical costs from what the original Phase 2B proposal was estimated to be. Mr. Gilman explained the benefits of the ortho/lime/CO₂ solution stating that the District could achieve a PH level that cannot currently be met. The District would need to request a supplemental approval from CDPHE for the lime/CO₂/orthophosphate system, but this system is widely used throughout the State so it should not be difficult to get this. Under option 2, the proposed (original 2b) separate chemical storage building at the FC treatment plant would be eliminated as the current storage space would be adequate. A silo and batch tank would be needed for the lime slurry at the Fish Creek Plant, with the batching mechanism located directly under the silo. Mr. Alfone reiterated that Option 2 is the preferred option, and the District will work with Carollo on a new design and provide cost estimates to complete this system.

Director Gebhardt posed the question as to why Orthophosphate was not considered as an option in the past, as a lot of time was spent researching other paths and more due diligence could have saved the District money. Mr. Alfone commented that Orthophosphate was initially considered but due to the concern of recent increased nutrient levels (including phosphorous) in the Yampa River and the pending effluent permit renewal at the City's wastewater treatment, it was decided that adding more phosphorous to the system should not be considered as the OCCT. At the same time, all parties knew that a CDPHE-imposed phosphorous effluent level limit would be required, but no specific treatment amounts are yet known. So, we took a conservative approach and focused on the PH and Alkalinity OCCT.

Mr. Alfone will work with Carollo Engineers to start the new design, develop estimates, and have Cody Berg with Carollo work on updating the Districts water financial model. At this time, the District is not under a regulatory timeline since we have not had a lead exceedance for the last 1.5 years.

The District will need to provide ample notice to customers that have installed their own private Orthophosphate systems stating they must remove them before the new City and District-wide Orthophosphate system is installed.

XI. REPORT OF GENERAL COUNSEL

- A. Executive Session – under C.R.S 24-6-402(4)(b) regarding legal advice on specific legal questions and C.R.S 24-6-402(4)(e) for determining positions relative to matters in negotiation with City of Steamboat Springs Agreements

MOTION: To adjourn the Regular Meeting and go into Executive Session at approximately 9:39 A.M. under §24-6-402(4)(e), C.R.S., for determining positions relative to matters in negotiation with City of Steamboat Springs Agreements.

APPROVED: Vote 5-0

MOTION: To come out of Executive Session and reconvene the Regular Meeting at 10:05 A.M. with no action having been taken.

APPROVED: Vote 5-0

MOTION: To elect Mark Hamilton of Holland and Hart as Special Counsel with respect to ongoing “Agreements” negotiations with the City.

APPROVED: Vote 5-0

XII. EXECUTIVE SESSION – UNDER C.R.S. 24-6-402(4)(F) FOR PERSONNEL MATTERS; GENERAL MANAGER SALARY PACKAGE

MOTION: To adjourn the Regular Meeting and go into Executive Session at approximately 10:07 A.M. under §24-6-402(4)(f), C.R.S., for personnel matters regarding the General Manager salary package. (Mr. Alfone, Mr. Gilman, and Mrs. Smith stepped out)

APPROVED: Vote 5-0

MOTION: To come out of Executive Session and reconvene the Regular Meeting at 10:39 A.M. with no action having been taken.

APPROVED: Vote 5-0

XIII. UNFINISHED BUSINESS

- A. Consideration of a Resolution to approve an Out of District Services Agreement – Snow Country Nursery Parcels

Mr. Alfone gave a quick update about the Snow Country Nursery application to the Routt County Planning Department requesting a lot line adjustment for their two owned lots and approval of the PUD use on one of those lots. Mr. Alfone attended the County Planning

Commission meeting and a supplemental meeting with Mr. Clark and Mr. Magill. Prior to the meeting, Counsel Sharp e-mailed the original purchase agreement terms and conditions to the Board between Mr. MacArthur and the District when the +-18 Acre parcel was purchased noting the requirement that all improvements, e.g., a bike and pedestrian path, noted “core path” (other than those specified in the agreement) must be approved by Mr. MacArthur on the District-owned land. Mr. Alfone also received from Mr. Clark the requirements the Christian Center identified with respect to granting Snow Country an easement for the new sewer line to service the relocated A-Frame across the Christian Center property.

The Board packet included a proposed resolution for an Out of District Services Agreement (Agreement) which would provide District sewer collection services to the re-located A-frame location. Since the resolution was drafted, Director Malia, Counsel Sharp and Mr. Alfone met and have suggested alternative language (s) to Section r of the Agreement be added to address the Core Path and dedicated easement. The Board packet also had a copy of the letter that Mr. Alfone received from the City of Steamboat Springs with respect to the application, and proposed core path easement. The resolution could be approved as is, approved with modified “r” language or table a decision to a future meeting.

Mr. Magill addressed the Board and stated that the City Manager asked the Board of County Commissioners (BOCC) to table the upcoming BOCC hearing. Mr. Clark and Mr. Magill support the language by the District in respect to the core path easement and protecting the new Infiltration Gallery. Mr. Magill suggested a supplemental agreement with the City be considered, mainly noting that the only stipulation for Snow Country to grant the easement through their parcels now is that other easements be executed (MWW, MacArthur, D bar K Storage, etc.) and funding be secured to build the trail for the entire trail. Once the other easements and funding is in place, Mr. Magill and Mr. Clark would write a legal description and exhibit and grant the City the easement for the Core Trail over the Snow Country Parcels.

Regarding existing City-built core path trails, Mr. Wilson spoke about his past meetings with property managers and owners and mentioned that he used to work on new Core Trail paths and extensions as the former Parks and Recreation Director with the City. He supports the Out of District Services Agreement but mentioned that the trail restriction should not be tied to this Agreement.

Jon Snyder with the City emphasized that the City would not have considered the easement for the Core Trail if they thought it would compromise the new infiltration gallery or water quality. He stated that the existing septic system at the Snow Country Nursery A-Frame is more of a risk to all the District’s and the City’s Infiltration Gallery than a future Core Trail extension across the District’s Yampa Meadows land.

Counsel Sharp discussed the restrictive covenant in place with Mr. MacArthur, owner of the land directly to the south of the District’s land, mentioning there can be no structures or improvements within the 18-acre parcel without prior written permission by Mr. MacArthur or any future owner of this land. Certain exceptions exist such as constructing water systems and access roads to the water system. The purpose of the alternative language in Section r is to do what is suggested by Mr. Magill and Mr. Wilson, and not tie wording for any future easement request to their planning process and potential approval of the Agreement.

Currently, the District Board does not support the core path on its property and the District does not have any obligation to commit to the City for an easement. A future request from the City for an easement across District-owned lands would be considered when received. Director Malia mentioned that he would be in favor of the Agreement, without the “r” language as his biggest concern is the leach field/septic system at Snow Country Nursery. If the leach field were removed, it would be beneficial to the District and Cities raw water supply. Director Malia reiterated that the District is not being asked to do anything on District property in respect to the Core Trail with this conversation. By identifying a position about the path in the original Agreement, the District inserted itself into that discussion with the applicant, City and County officials and the District does not need to delay Mr. Clark’s proposed Agreement with the District for this item. Director Malia stated there is already an existing portion of the Core Trail by Infiltration Galleries G and H and there has not been any issues with that in the past. Counsel Sharp read alternative language in sub-section r in its entirety to the Board.

Motion: To approve the Resolution for the Out of District Services Agreement with Snow Country Nursery without Section r in its entirety.

Approved: Vote 5-0

- B. Staff or Directors may raise for discussion any unfinished business related to the business of the District.
There were no new business items discussed.

XIV. NEW BUSINESS

- A. Consideration of a Resolution approving a Supplemental Loan for the Phase 3 Sewer Interceptor Project

Motion: To approve the Resolution for a supplemental loan to help finance the Phase 3 Sewer Interceptor Project.

Approved: Vote 5-0

- B. Consideration of a Resolution cancelling the May 3, 2022, Election and Declaration deeming candidates elected.

Motion: To approve the Resolution cancelling the May 3, 2022, election and deeming the candidates elected.

Approved: Vote 5-0

- C. 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.

XV. ADJOURN

The next Regular Board meeting Date is October 7, 2022, at 8:00 A.M.

There being no further business, the meeting was adjourned at 11:10 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) and (e-I), that the executive session that was not recorded because, in his opinion, his participation in answering legal questions and discussion of negotiations 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) and (e-I), 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.

Gavin Malia, President and Chair

Date: