

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 18, 2022

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

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)

**I. ESTABLISHMENT OF QUORUM AND CALL TO ORDER**

Gavin Malia called the meeting to order at 8:07am

**II. 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: 5-0

**III. PUBLIC COMMENT**

None

**IV. APPROVAL OF SUBMITTED MINUTES OF PREVIOUS MEETINGS**

A. From the January 7<sup>th</sup>, 2022, Regular Board Meeting

MOTION: To approve the January 7<sup>th</sup>, 2022, regular Board meeting minutes

APPROVED: Vote 5-0

**V. TREASURER'S REPORT**

A. Financial Statement – December 31, 2021, Preliminary Year-End Report

Mr. Alfone informed the Board that the figures in the Board meeting packet are unaudited numbers. At year-end, the District was approximately \$167K above budget in total revenues. PIF revenue equaled \$842K, which is about \$540K above budget. For 2022, the District collected \$180K in February for PIF revenue, mostly from Ski Corp. for the Base Area Redevelopment, the new Wild Blue Gondola, and the Green Horn Ranch projects. Total operating costs were under budget by \$151K. At year-end, the District was \$922K ahead of budget in total revenues over total expenses.

Total reserves as of December 31<sup>st</sup> should equal approximately \$2.2M.

Capital Improvement Plan – at year end, the CIP is under budget by about 710K mostly due to the Fish Creek Plant Phase 2A Project originally budgeted to start in 2021 will now begin in 2022 instead.

B. Financial Statement – January 30, 2022, Preliminary YTD Report

The District does not realize any services revenue in January due to the quarterly billing cycle, thus Q1, 2022 revenue will be accounted for in April. PIF revenue in January was \$18K and \$126K was spent on CIP projects, mainly for the design and engineering for Phase 2A and preliminary engineering for the Phase 2B project at the Fish Creek Plant.

Accounts Receivable – as of today, 2021 Quarter 4 outstanding receivables equals about \$6,500. Mr. Alfone expects this number will come down before the next billing cycle.

## **VI. COMMITTEE REPORTS**

- A. Budget and Audit Committee – 2021 Audit – Report Presentation – May 20, 2022, BOD Meeting – The 2021 Audit Report will be presented to the Board at the May 20, 2022, Board meeting. This is because the District has two loans with CDPHE/CWRPDA, each requiring a “Single Audit.” The customary Financial Statement Audit will also be reviewed at this meeting. Chris Catterson no longer performs Single Audits, but he will still produce the financial statements which will be incorporated into the Single Audits contracted to Watson, Coon, Ryan LLC from Denver. The District will only have to do Single Audits for the years in which the loan proceeds are utilized.
- B. Water Matters Committee Report – The Board will discuss the outcome of the March 16<sup>th</sup>, 2022, meeting that Mr. Alfone attended with the Upper Yampa Water Conservancy District Board in Executive Session.

Director Malia, Mr. Alfone, Counsel Sharp, Mr. Houpt, Mr. Hamilton, and Mr. Kelly had a brainstorming session about the District’s augmentation plan, the W959 Case. Since Mr. Houpt will be retiring at the end of March 2022, the WMC wanted to listen and understand his thoughts and opinions about the plan, plus Mr. Hamilton, the new District Water Rights attorney could gather Mr. Houpts’ input and historical perspective about the plan. Counsel Sharp provided valuable historical input to the group at the meeting. There were no specific directives resulting from the meeting, however, Mr. Hamilton will be better positioned with the knowledge learned.

- C. Succession Committee Report – Mr. Alfone and Directors White and Koermer will next meet on April 11, 2022, and there is nothing new to report at this meeting. Currently, there are two positions open at the District, a seasonal summer helper and a Plant Operator.

## **VII. REPORT OF GENERAL MANAGER**

- A. Executive Summary Review – Mr. Alfone provided a high-level overview of the general manager report and answered several questions from the Board. Director Koermer mentioned that there are property management companies investigating orthophosphate solutions for corroding pipes at properties managed and meeting with these managers soon would be good idea.

Phase 3 Sewer Interceptor Project – the District received one bid for Phase 3 last Wednesday, March 9<sup>th</sup> at the bid opening. Duckel’s Construction and Native Excavating, Inc. attended the pre-bid meeting, however, Native was the only contractor that prepared and submitted a bid. The engineer’s (Landmark Consultants, Inc.) estimate was \$1.82M and Natives bid equaled \$1.97M. The District pre-ordered the sewer pipe and it is scheduled to arrive today. It will be stored at the Shop and at Natives lay-down yard at Bald Eagle Lake. The loan for Phases 2 and 3 from the Water & Power authority was for \$3M, thus additional funds (1 to 1.25M) will be required to help pay for the cost of Phase 3. This will be the final phase of the Sewer Interceptor Project for the District. The District was able to re-align a portion of the sewer pipe in Ski Town Park, eliminating the need to support and or remove

the 30' + light poles and associated infrastructure that are near the new sewer pipe installation.

The Yampa Wells Plant is up and running, with the District running the City's gallery while the remaining new infrastructure (pumps, electrical and controls) is completed at Wells G and H. The new Gallery (X) should be operating in time for this summer's irrigation season. Water meter replacement project – in February, the District mailed an additional round of 100 letters to customers asking to consider replacing their aging meters. This was the first round of letters to District customers that own 3/4" Badger Meters.

2022 Lead and Copper Sample Test Results – the first round of testing results was well below EPA and CDPHE MCL limits. Mr. Alfone and Mr. Gilman recognized Ryan Fanders for his excellent service collaborating with customers on this project.

- B. Board Member 2022 Election – the District did not receive any other Self-Nomination Forms thus, Directors Malia and Gebhardt will each serve another 3-year term starting after Election Day, May 2, 2022. The notice of the Cancellation of Election was published in the Steamboat Pilot on March 18, 2022.
- C. Facilities Master Plan (FMP) Phase 2B Project – Mr. Alfone authored a memorandum providing the Board an update about the Project. Director White has worked with Mr. Alfone and District Staff and was recognized for his efforts to date. Phase 2B was originally required due to a Lead MCL exceedance, however, since the District has not had another exceedance in 3 bi-annual sampling/testing cycles, CDPHE agreed to provide the District additional time to complete the project. The project must still be completed. The memorandum identified several critical items about the project, including the significant increase in the 60% drawings estimate, as well as key staffing turnover events at Moltz Construction, the District's General Contractor. Specifically, two senior project managers dedicated to the District's project have left Moltz. The District is under contract with Moltz to complete Phase 2A and it is scheduled to start in September. The Phase 2B contract is not executed, pending agreement of the Gross Maximum Price (GMP) and this Phase is currently being reviewed including price estimates, exploring potential changes in scope of work (SOW) and value engineering existing components of the projects, all in an effort to determine if the price can be adjusted downwards. As noted above, the most recent estimate was based on 60% drawings prepared by Carollo Engineers. The drawings were very thorough, so Mr. Alfone did not anticipate a substantial reduction of cost unless major scope of work changes were considered. The cost of the project was originally estimated to be \$7M, it is now priced by Moltz at over \$15M. Director White did not think it would be beneficial to change contractors, as it would substantially impact the schedule, possibly resulting in an even higher cost. Mr. White did voice his concern about the loss of staff at Moltz, even though the District received a commitment from Moltz and their President that they will not be moving to other projects while working on Phase 2B.

The question was raised as to why the estimate went from \$7M to \$15M and what changed to have such a big price increase. Some of the price increase resulted from the larger size of the covered chemical delivery truck bay, new raw water piping reconfiguration installation and adding a covered breezeway from the existing building to the new truck bay, along with rising costs of "raw" and finished construction supplies, labor, and fuel; all going up substantially and contributing to the significant increase of the estimate. The District and subcontracting team of Carollo and Moltz will continue to update the estimate, but Carollo engineers informed Mr. Alfone to plan on an increase in construction expense equal to 2% every month during the estimating process and prior to finalizing the GMP. Director Shively mentioned to not cut the budget too much as the District still needs to meet the original goal

of the construction, both for day-to-day operations and the coordination/sequencing of other future FMP projects at the Plant.

Mr. Alfone is working with Carollo and internal MWW staff to identify what potential grants and loans would be possible to fund the project. The District will also have to look carefully at what level of service rates increases for water might be made, including factoring in other inflationary pressures faced by District customers. In correspondence received from Project Manager Mr. Assouline with Carollo, he pointed to big red flags with Moltz, mainly the staffing changes and the lack of flexibility in working with the District on potential cost savings objectives. Mr. Malia expressed concern about these remarks. Mr. Sharp advised the Board to quickly investigate how the District could raise revenue and fund the project, including looking into raising water service rates and consider a mil levy i.e., property tax for District customers. Also, loan funding from CWPDA is still a viable option. Counsel Sharp noted that a decision must be made by June if a Mil Levy is the route chosen by the Board.

The Board discussed reviewing the planned future FMP Plant projects located on the 20-year CIP plan, mainly to identify 2022 cost estimates for each project. Then, annually, review each project to adjust the estimates for inflation, escalation, and market conditions. Mr. Alfone suggested that since the District is working with Moltz for Phase 2A, finding another contractor for 2B might actually be difficult due to existing construction workload in Steamboat and Colorado, thus driving the estimate even higher. Mr. Gilman recommended performing due diligence to verify the project material costs, labor expense and request multiple sub-contractors estimates for the work performed (and based on the 90% drawings). These steps will be beneficial to obtaining the best pricing for the 2B project. Over the next several months, Mr. Alfone and District Staff will continue to work with Moltz and Carollo to obtain more accurate cost(s) breakouts and subcontractor bids. And grants, loans and other revenue opportunities will be explored. The Board decided to conduct a separate special board meeting to discuss all these items specific to Phase 2B. Mr. Alfone will contact Carollo and request a revised line by line construction estimate, mainly since their 2020 estimate was low relative to the 60% estimate provided by Moltz.

MOTION: Request that Carollo Engineers, Inc. provide an updated bid line estimate for Phase 2B and ask Carollo to absorb all or some of the cost to prepare the new estimate.

APPROVED: Vote 5-0

## **VIII. REPORT OF GENERAL COUNSEL**

- A. Counsel Sharp provided an overview of his most recent work for the District. He attended the W959 Water Rights augmentation brainstorming meeting with the WMC and provided revisions to the AclaraOne software agreement. Mr. Sharp drafted revisions to the Temporary Construction License for the new sewer interceptor main line that crosses the Villages at Steamboat property. The District's Engineer planned and engineered a substantial re-alignment of the new interceptor, primarily to save lot of trees that otherwise would have to be removed if the new line were replaced within the existing easement.

Trails and Open Space issues were raised by a Steamboat Citizen regarding the City of Steamboat Parks and Rec. Department's management of the trail system in the Steamboat Barn Village subdivision. The trail easement was encroached by various homeowners with landscape plantings and other items, including trees and boulders. The District has a sewer main line along, and under the same easement. Counsel Sharp reviewed the Plat and the

District Rules and Regulations. He met with Mr. Alfone and recommended that the District not get involved with the City violation process, but suggested that the District notify the Barn Village Homeowners Association that if maintenance, repair and or removal and replacement of the sewer main is necessary, the District will move all impediments and will not replace them, only leave the area back to its natural state. Mr. Alfone will send a letter to the HOA about the easement and inform them that the District has the right to maintain their sewer main line per the legal and recorded easement and plat language.

**IX. UNFINISHED BUSINESS**

- A. Staff or Directors may raise for discussion any unfinished business related to the business of the District. There was no unfinished business.

**X. NEW BUSINESS**

- A. Consideration of Agreement; Termination and Vacation of Water Pipeline Agreement - Fish Creek Treatment Plant; City of Steamboat Springs  
John Fetcher, past GM at the District, granted the City an easement across a portion of the Fish Creek Treatment Plant lands to allow Fish creek water to get to an old pond at the existing Willet Heights Tank location – near Blue Sage Drive. Historically, and prior to 1983, the City always used Spring Creek water for their customers but Fish Creek was a backup supply if needed. With the design of Phase 2B, the easement interfered with new planned infrastructure, thus the District asked the City to abandon the easement. The City's Assistant Attorney drafted the language, it was then revised by Counsel Sharp, and the first reading of the Ordinance was approved by the SBS City Council, and likely it will get abandoned. The second reading (Public Hearing) is scheduled for May 17<sup>th</sup>, 2022.

MOTION: To authorize execution of the vacation and abandonment of the easement agreement.

APPROVED: 5-0

- B. Yampa Wellfields Easement; City of Steamboat Springs  
Mr. Alfone showed the Board a map of the subject area and outlined the City's request. Currently, the City does not have an easement across District property for their existing 12-inch raw water main, control and electrical wires. During planning and design for the City's new 4 vertical wells at their gallery site, they requested that the District grant them an easement for this existing infrastructure. The Board agreed that this was acceptable, pending submittal of a map and legal description. Counsel Sharp suggested that this easement be signed at the same time other pending agreements with the City are executed but grant the City permission now to continue engineering, planning etc. and also the construction of their new wells and associated infrastructure this fall.
- C. Staff or Directors may raise for discussion any new business related to the business of the District. There was no other new business.

Counsel Sharp exited the meeting at 10:05.

MOTION: To adjourn the Regular Meeting and go into Executive Session at approximately 10:07 A.M. under §24-6-402(4)(e), C.R.S., for determining positions relative to matters in negotiation for the Stagecoach Reservoir Water Allotment Agreement(s).

APPROVED: Vote 5-0

MOTION: To come out of Executive Session and reconvene the Regular Meeting at 10:45 A.M. with no action having been taken.

APPROVED: Vote 5-0

**XI. ADJOURN**

The next Regular Board meeting is May 20, 2022, at 8:00 A.M.

A Special Board Meeting to discuss Phase 2B, Fish Creek Treatment Plant Improvements Project, was scheduled for April 29<sup>th</sup> at 8:00 AM.

There being no further business, the meeting was adjourned at 10:45 A.M.