

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 - October 4<sup>th</sup>, 2024

DIRECTORS PRESENT: John Shively, Alan Koermer (in-person)  
Don White, David Hill (via Microsoft Teams)

DIRECTORS ABSENT: Wade Gebhardt

STAFF PRESENT: Frank Alfone, General Manager  
Tyler Gilman, Operations Manager  
Cat Smith, Business Manager  
Beau Cahill, Project Development Coordinator  
(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.  
Kim Lightner, Financial Analyst, Carollo Engineers, Inc.

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

Director Shively stated that a quorum was present and called the meeting to order at 8:04 A.M.

**II. ACKNOWLEDGE PUBLIC**

Director Shively acknowledged the public.

**III. APPROVAL OF AGENDA FOR MEETING**

MOTION: To approve the agenda.

APPROVED: Vote 4-0

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

A. From the September 13<sup>th</sup>, 2024, Special Board Meeting

B. From the September 27<sup>th</sup>, 2024, Special Board Meeting

MOTION: To approve the minutes from the September 13<sup>th</sup>, 2024, Special Board Meeting

APPROVED: Vote 4-0

MOTION: To approve the minutes from the September 27<sup>th</sup>, 2024, Special Board Meeting

APPROVED: Vote 4-0

**V. PUBLIC COMMENT**

There was no public comment.

**VI. TREASURERS REPORT**

A. Financial Statement – August 31, 2024

The following overview was provided for the August 31, 2024, financial statements:

- Total operating revenues equaled \$2.12M, which equals 49% of the total budget.

- Operating costs equaled \$2.16M, which is approximately 67% of the total budget.
- Non-operating revenues equaled \$1.5M excluding the CWRPDA loans as well as the City's portion of Capital contributions, which is roughly 113% of the budget.
- Plant Investment Fee (PIF) revenue equaled \$1.25M, which is 116% of the total budget. The total non-operating revenue was equal to \$1.49M at the end of September, which is 119% of the total budget.
- Capital Improvement Plan (CIP) expenses equaled \$3.67M which is 75% of the total budget, a little over \$3M of that amount is attributed to the Phase 2B project.
- Total reserves as of August 31<sup>st</sup> equaled \$2M.
- Customer accounts receivable for the 2<sup>nd</sup> quarter equal \$5,800, all are residential accounts. Mrs. Smith will work with Ms. Kuntz to collect the fees from the remaining customers.

MOTION: To approve the August 31, 2024, financial report

APPROVED: Vote 4-0

## **VII. COMMITTEE REPORTS**

### **A. Budget and Audit Committee:**

1. 2025 Preliminary Draft Budget Presentation – Mr. Alfone provided an overview of the budget process and deadline requirements. The budget submittal has satisfied Colorado State Statute since it was submitted to the Board before the annual deadline of October 15<sup>th</sup>. The '25 budget notification will be posted in the local paper to allow for public comment and the opportunity for them to attend and comment about the proposed budget at the next Board meeting. A public hearing notice will also be posted in the paper if the proposed services rate increases are approved at this meeting.

Mr. Alfone provided a high-level overview of the draft 2025 budget and included the following details:

- Operating revenues are budgeted to increase 3% for water service and 5% for wastewater in 2025. Projected revenue for 2025 is \$4.4M.
- Operating costs, which cover Administration, Distribution and Collection, Water Filtration and Raw Water Supply, are projected to be \$3.1M at the end of 2024, and \$3.6M is budgeted for 2025. The 2025 figure is higher due to budgeting for an additional FTE for the Water Treatment Plant Supervisor position.
- Non-Operating revenues are budgeted at \$2.1M for 2025 which mostly consists of water and wastewater collection tap fees. One large project called Thunderhead Beach is a substantial portion factored into the budget figure as this project has progressed through the development process with the City of Steamboat Springs and there are plans to break ground in the spring of 2025.
- Capital projects for 2025 equal \$4.2M which include 3 main projects: Lift Station improvements, Filter Bay(s) improvements, and miscellaneous Fish Creek and Yampa Wells plant projects.
- Reserves are projected to be at \$2M at the end of 2025 including an additional \$500K revenue budgeted from the line of credit.
- The Future CIP tab on the budget provides a 20-year “lookout” of CIP projects and Mr. Alfone focused the discussion on the next two years. \$500K is budgeted for a vac truck, jetter, and a camera in the sanitary collection account. Capital Improvements to the Lift Station and Booster Station 1 will also occur in 2026. Total CIP costs for 2026 are anticipated to

be \$2.9M. Filter Bay improvements will occur in the next few years and this project was phased over several years to manage cash flow with other projects. \$100K per year is dedicated for both water main repairs and wastewater repairs or improvements. These funds are budgeted in addition to funds earmarked for specific CIP projects.

- If everything tracks accordingly and the District completes the planned Master Plan projects for both the Fish Creek and Yampa Wells Plants by 2044, the District would have roughly \$6M reserves in the bank. This is based on assumptions made with respect to increases for CIP projects and rate increases identified by Carollo Engineers.
- Discussion was held as to whether the District factors in growth and infrastructure demands for the future. The Fish Creek Plant Master Plan factors in capacity increases with the construction of more filter bays and regular maintenance/repairs such as replacing clay sewer collections main line(s) pipe. The recent upsizing of the Main Sewer Collector from the base of the ski area down to Fetcher Park in order to manage full build-out conditions was a project necessary to meet growth demands.
- Discussion was held regarding inflation and increasing construction costs and how hard it is to anticipate what will happen over the next 10 years regarding these items.
- Regarding CIP projects, discussion was held about what projects are necessary in the immediate future to complete and what projects could be delayed if Plant Investment Fee revenues were to dip.
- The Board discussed whether plans are in place if multiple equipment failures happen at the plant(s). While this could happen, the District has an experienced staff that can fix equipment quickly and get systems back up and running. One of the biggest reasons for purchasing the vac truck is to allow District staff to respond quickly to a situation such as a sewer backup without having to rely on contractors to respond.
- The Board asked how quickly the Yampa Wells Plant could be online if the Fish Creek Plant were to go down. There is a Standard Operating Procedure (SOP) in place for this event and the Yampa Wells Plant can be up and running in less than a day.

2. Water and Wastewater Collections Cost of Service Rate and Fee Study Presentation, Cody Berg and Kim Lightner, Carollo Financial Services – Mr. Berg reviewed the PowerPoint presentation and mentioned that there are multiple assumptions and inputs that go into performing a rate study. This study included the Cost of Service, Rate Design and PIF analysis.

- Mr. Berg reviewed the rate study process components including the cash flow test ensures the revenues cover the expenses. The debt service coverage test ensures revenues exceed debt service coverage requirements, and the reserve fund test ensures that the target reserve funds are satisfied.
- The financial plan assumptions and results were discussed. Targeted Reserves for both the Water and Wastewater Collections Operating Fund factors in 90 days of O & M expenses each. The Water Capital reserve is \$500K with an escalation at 3% annually for inflation. The Wastewater Capital reserve is \$150K with an escalation of 3% annually also for inflation. The additional \$650K are funds allocated above the anticipated CIP costs and act as a buffer for any unanticipated costs.

- The District is not anticipating future debt issuances; however, interest rates and loan terms were discussed if debt was issued.
- The Debt Service Coverage Ratio was discussed. The Districts' existing loans through the Colorado Water Resources and Power Development Authority (CWRPDA) have a 1.10x debt coverage on the Combined Utility Fund. Future debt would most likely require a 1.30x debt coverage on the Combined Utility Fund if Revenue Bonds were issued.
- Mr. Berg reviewed the 10-year financial forecast for the Water Utility Fund, displaying a 3% annual rate increase and explained that in some years with this increase, the District would draw down on reserves and in other years the reserves would increase.
- The 10-year financial forecast was displayed for the Wastewater Collections Utility Fund, showing a 5% increase in order to get through the capital project(s) intensive years and then the percentage increase is expected to drop after the year 2027. One of the overarching goals is to keep the rate increases steady and to avoid rate shock over the next ten years.
- The Cost-of-Service results for the Water Utility Fund were discussed for residential and commercial customers. The results showed the need to increase residential customers rates slightly higher and decrease commercial customer rates and this is due to the demand that each customer class place on the system. The commercial customers tend to use water more consistently whereas the residential customers show more water usage "peaks." Overall, it balances out to require a 3% increase in water service rates.
- The Cost-of-Service results for the Wastewater Utility Fund show only a slight increase in residential rates required and a bigger increase needed for commercial rates with an overall increase of 5%.
- The Rate Design process was discussed and Carollo recommends that the fixed base charges remain the same as well as the Tier 1 Volume rates for both residential and commercial customers. It was discussed to compress the amounts in each volume tier as the current tiered structure allows for high water usage in each tier. One of the goals is to encourage conservation by narrowing the tiered usage limits.
- The possibility of implementing a Mil Levy was discussed as it could be another source of revenue recovery, however it would require a ballot/vote of District customers to approve. If Mil Levy were approved, rate increases would still have to be considered as a Mil Levy would not solely replace the need for future rate increases.
- Plant Investment Fee (PIF) rate options were discussed and a hybrid PIF calculation model for water was displayed to show the different options. Mr. Berg explained that first an inventory of both water and wastewater District assets was compiled then a valuation was determined for those assets. Some of the existing assets were paid for using debt, so the outstanding debt must be subtracted so it is not factored in twice. The calculations were separated into four categories:
  - Option 1 is Replacement Cost New, and to calculate this the original cost of the asset is taken and inflated with current inflation rates based on the year the asset was originally placed into service. That value is then considered with growth-related CIP expenses and outstanding debt obligations are deducted from that original figure.

- That figure is then divided by the total existing assets, plus future fixture points which equals \$180.91 PIF per fixture unit cost.
- Option 2 is Original Cost which factors in the original cost minus growth-related CIP expenses and outstanding debt obligations. That figure is then divided by the total existing points, plus future fixture points which equals \$105.01 PIF per fixture unit cost.
  - Option 3 is Replacement Cost and subtracts out depreciation. That figure is then divided by the total existing points, plus future fixture points which equals \$82.96 PIF per fixture unit cost.
  - Option 4 is Original Cost and then subtracts depreciation. That figure is then divided by the total existing points, plus future fixture points which equals \$69.34 PIF per fixture unit cost.
  - The current PIF per fixture unit cost is \$46.45.
- One option the Board might choose is to determine the PIF rate they would like to achieve and phase it in over the next 5 years to get to that rate.
  - When factoring in PIF rates, the District is roughly 75% built out, thus an option would be to take the existing rates and multiply it by 25% to factor in only the percent that new construction accounts for within the District.
  - The Board requested a PIF survey be performed comparing other mountain town PIF's.
  - The hybrid PIF Calculation was also reviewed for wastewater collection utilizing the same calculations as noted above.
    - Option 1- Replacement Cost New equaled \$88.70 PIF per fixture unit cost.
    - Option 2 - Original Cost equaled \$28.60 PIF per fixture unit cost.
    - Option 3 - Replacement Cost Less Depreciation equaled \$23.50 PIF per fixture unit cost.
    - Option 4 - Original Cost Less Depreciation equaled \$14.83PIF per fixture unit cost.
    - The current PIF per fixture unit cost is \$48.35.
  - The monthly residential customer bill impacts resulting from the rate increases was discussed.
  - A regional services rates bill comparison was discussed showing how the District compares to other mountain towns, including the City of Steamboat Springs.
  - The Board decided to take additional time (in 2025) to analyze a potential PIF increase and focus only on rate increases for water and wastewater collections rates.
  - The goal of paying off District debt and eliminating interest charges on said debt was discussed and remains a top priority for the Board.
  - District staff have spoken to and or contacted developers to let them know that PIF rates could go up in 2026 in case they wanted to pay in advance of the possible increase.

Director Koermer departed the meeting but voiced his support for the rate increases and evaluating PIF rates next year.

MOTION: To recommend approval of a 3% rate increase for water services and a 5% rate increase for wastewater collection services and post a Public Hearing Notice in the local newspaper on December 13<sup>th</sup>, 2024, 8 AM at which date and time the District Board will consider approving said rate increases at the Public Hearing and evaluate PIF rates increases in 2025.

APPROVED: Vote 3-0

- B. Water Matters Committee Report – District staff are currently evaluating several water rights matters and Mr. Alfone is planning to schedule a WMC meeting in the next couple of months and report back to the Board at the December 13<sup>th</sup> meeting.
- C. Succession Committee Report – there was no report given.

**VIII. REPORT OF GENERAL MANAGER**

- A. Executive Summary Review – the Fish Creek Plant is now offline and at this time, 2B is tracking on schedule and the plant should be back up and running around Thanksgiving.
- B. PFAS and Fluoride Updates – Mr. Gilman spoke about per. and polyfluoroalkyl substances (PFAS). There are 29 different PFAS found that have been identified as having possible implications for human health. District staff are sampling at both the Fish Creek and Yampa Wells Plants per the EPA’s unregulated contaminated monitoring rule (UCMR) parameters. The District was randomly selected to perform these tests, and the EPA will utilize the sampling results to understand PFAS exposures and risks. To date, the District has sampled twice at the Fish Creek Plant and once at the Yampa Wells Plant. All samples came back as “non-detect” from the lab. The next step for the EPA is to analyze the results of the sampling and use them to inform at the state level any future regulatory requirements, most likely to occur in 2027 at the earliest. This will determine action levels parameters and what the minimum detectable limits will be for sampling data.

Mr. Gilman also spoke about Fluoride. The District injects Fluoride at both the Yampa Wells and the Fish Creek Plants. Several years ago, District staff lowered the amount from 1.2mg/l to 0.7mg/l as directed by CDPHE. The natural fluoride level in the raw water is approximately 0.3mg/l. It was recently argued in the Federal Court with the EPA about the benefits or risks of community fluoridation and this news has triggered some calls and discussions with District customers. The City of Steamboat Springs and Mount Werner Water approved and agreed to add fluoride to the “finished water” since the early 1980’s per the direction of City Council and the District Board. The current EPA and Federal Court discussions and ruling(s) could lead to changes in fluoridation injection and how much is added to the water distribution system.

**IX. REPORT OF GENERAL COUNSEL**

There was no report.

**X. UNFINISHED BUSINESS**

There was no unfinished business.

**XI. NEW BUSINESS**

The holiday party was discussed and will be held in December, the date will be determined soon.

**XII. ADJOURN**

The next Regular Board meeting Date is December 13th, 2024, at 8:00 A.M. There being no further business, the meeting was adjourned at 10:12 A.M.

Respectfully submitted,

Frank Alfone, Secretary/General Manager