

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 7th, 2022

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

DIRECTORS ABSENT: None

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

OTHERS PRESENT: None

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

There was no public present.

III. APPROVAL OF AGENDA FOR MEETING

Director Malia asked if there were any changes to the agenda. The members discussed whether or not to have the GM Compensation Package discussed in Executive Session and if Mr. Alfone should be present. The Board decided to not hold an Executive Session for this topic and Mr. Alfone will be present. Director Koermer will review the CURA proposal during the Succession Committee Report.

MOTION: To approve the Agenda with the GM Compensation Package to be discussed in open session and adding the CURA proposal review during the Succession Committee Report.

APPROVED: Vote 5-0

IV. APPROVAL OF SUBMITTED MINUTES OF PREVIOUS MEETINGS

A. From the July 15, 2022, Regular Board Meeting

MOTION: To approve the minutes from the July 15th, 2022, Regular Board Meeting.

APPROVED: Vote 5-0

V. PUBLIC COMMENT

There was no Public Comment.

VI. TREASURER'S REPORT

A. Financial Statement – July and August 2022 Final Financial Reports

Mr. Alfone informed the Board that the District has been utilizing an outside firm for monthly financial statement preparation. Alex Fink, a controller with Clifton Larsen Allen LLP, was recommended by the District's auditing firm and has been assisting the District for a few months now. Mr. Fink re-formatted the monthly financials and included two additional reports: "Supplementary Information" and a "Summary of Significant Assumptions." The reports are more streamlined and represented more professionally. Mr. Fink has been working with Mrs. Smith on the monthly close-out process and has provided advise and oversight to ensure accuracy. The edits made have created better efficiencies for how the District moves financial data from the accounting software to these reports; essentially automating the process. The Board shared positive feedback about the new monthly financial format.

As of July 31, 2022, total operating revenues were \$1.47M and the District is pacing slightly behind in revenue. However, it is expected that 3rd quarter revenue will come in over budget as most of the irrigation usage is billed this quarter. Operating costs equaled \$1.2M, which is consistent to what was budgeted. Non-operating revenue was over budget by approximately \$113K, mostly attributable to Plant Investment Fees (PIF) which have continued to outpace the budget substantially this year. On July 31, the District gained \$565K in non-operating revenue, while \$450K was budgeted for the entire year. Mr. Alfone noted that revenue received for 3rd quarter water and wastewater collection services billing is not recognized until September.

July 31, 2022, Capital Improvement Plan (CIP) expenses. Phase 2A of the Facilities Master Plan and the Sewer Interceptor make up for \$1.1M in expenses through July 31.

As of July 31, 2022, the District's total reserves equaled \$2.78M.

As of August 31, 2022, total operating costs were at \$1.49M and PIF revenue equaled \$650K. CIP expenses totaled \$1.7M.

As of August 31, 2022, the District's total reserves equaled \$2.3M

Customer(s) Accounts Receivable as of September 1, 2022, was \$4K. Mrs. Smith and Ms. Kuntz are working with customers to get their balances paid. There are two customers that are now two quarters past due, and those customers will be contacted immediately to request payment.

Mr. Alfone mentioned that Mr. Lersch who hit and damaged a fire hydrant several years ago sent a \$1,100 payment toward the restitution when normally a \$100 monthly payment is received. Since a few monthly payments had been skipped, it was encouraging to see the balance being paid down with this larger payment. The District pursued Mr. Lersch in District Court and won the settlement.

The Board approved the financials as presented.

VII. COMMITTEE REPORTS

A. Budget and Audit Committee – Draft 2023 Budget Presentation

Mr. Alfone thanked Director White for his time committed to the 2023 Draft Budget preparation. Mr. Alfone delivered a memorandum to the Board highlighting critical items. Mr. Alfone's presentation focused on the memo. items and he discussed a few other important line items. For water and wastewater collection service fees, the 14.5% budget increase was approved by the Board a couple of years ago for 2022 and 2023. For 2024, Mr. Alfone is proposing a 15% increase in service rates along with a \$2M loan. This would position the District with \$2.4M in reserves by the end of 2024. This also assumes the Phase 2b project will be completed in 2024. The \$6M cost projection for 2b is a direct result of the analysis, planning and cost estimates from Carollo Engineers. A PowerPoint presentation about 2b depicting the initial layout of equipment and cost estimates was included in the Board packet. Carollo Engineers presented this to Mr. Gilman and Mr. Alfone last week. For Phase 2b, \$500K is budgeted for 2023 to order equipment that include long lead times for manufacturing and delivery and the remainder of the \$6M project cost is budgeted for 2024. Without the proposed 2M loan in 2024, the reserves would dip under \$1M at year-end 2024. Mr. Alfone noted that existing loan covenants require the District to follow certain criteria per CWRPDA, one is to have an operations and maintenance reserve equal to 3 times the monthly operating expenses kept in the bank, and another is a debt service reserve balance equal to 110% of the annual loan payments. The 2023 draft budget and future budgets will account for these reserve amounts.

The Board discussed planned and potential projects on the 20-year planning horizon. In 2025, rate increases start to decline, and it was discussed to not lower rates too much as there are two large projects scheduled in the next 10 years. It was also mentioned to revisit the loan value periodically, quarterly. In the next 5-20 years the District may be working with the City of Steamboat Springs (City) on a potential 3rd alternative source for water. The Board will continue to review budget projections (timing and costs) for large CIP projects into the future. Mr. Alfone stated that completing this review and accounting for substantial increases in construction costs for future CIP projects and finetuning these estimates will be critical in order to maintain solid and accurate estimates 2 to 3 years prior to each project start-up. The Wastewater Collection Facilities Master Plan has been delayed, mostly due to staff changes with Civil Design Consultants Engineering.

Director Gebhardt noted that the new plans and changes made on the Phase 2B project saved the District a lot of money and created a more viable option. District staff agreed it was a much better option. Since the revisions to the Phase 2B project, Mr. Alfone informed the Board that the project is at a level that is more simplified with less infrastructure and scope, thus a design, bid, build process seemed more appropriate and going out to bid would be more competitive regarding pricing for the District.

Mr. Alfone provided an overview of the draft Budget Summary Sheet for 2023. Year-end Reserves will end at \$2.1M, Operating Costs for 2023 were budgeted 7% higher than the 2022 amount and a 6% wage increase was budgeted effective January 1, 2023. Prior to the Board meeting at a Succession Committee meeting, discussion took place about adding another 3% wages increase on July 1. This is not factored into the draft budget. The reserve level at the end of 2023 is anticipated to be at about \$2M. Mr. Alfone noted that operating expense(s) increases included inflationary escalators based on both CPI indicators and higher than normal pricing increases in 2022. Director Koermer noted that earmarking another 3% wages increase starting in July of 2023 would be appropriate. Staff will determine the associated cost increase with the additional 3% wages bump for Board review at the final draft budget presentation scheduled at the December 9, 2022, meeting.

This draft budget submittal satisfies the Colorado Special District Law regulatory requirement to present the budget to the Board by October 15th, annually. Mr. Alfone asked for any additional feedback prior to the final draft that will be submitted to the Board prior to the December 9th meeting.

- B. Water Matters Committee Report- recap August 22, 2022, meeting
- Rollingstone Golf Course Raw Water Supply Agreement –the Rollingstone Golf Course representatives requested that the District review their existing raw water supply contract, although it does not expire until 2030. Prior to the next meeting with Rollingstone, Mr. Alfone developed a draft term sheet which was approved by the Water Matters Committee and recently forwarded to the Rollingstone contacts. The term sheet will be discussed at the next meeting, tentatively scheduled for the week of October 31st. The committee will have more to report after that meeting takes place. The golf course currently gets a portion of their allotted water from reservoir storage, generally starting in late June or early July when the District starts releasing water from Fish Creek Reservoir. The District has historically allowed Rollingstone to utilize this water for golf course irrigation and some of the water is used to maintain minimum flows in the creek, in addition to supplying the FCTP. Reservoir water used on the course to irrigate is being accounted for by the State and Division 6 Engineer to the District, however, the contract language in the current agreement with Rollingstone does not identify allowing use of Reservoir water. Thus, the position of the Committee is to have a conversation with Rollingstone about “storage water use”, add language to the agreement, if approved by the District Board, and consider charging more for this water than surface, or direct flow water in Fish Creek, mainly because storage water is generally more expensive than creek, or native flow water. Prior to the next meeting with Rollingstone, the District will investigate this matter from a water rights perspective, and from a firm yield/availability standpoint and has engaged Wright Water Engineers to take the lead on this study. The Committee and or GM will provide updates to the Board as this process evolves.

The State Engineers Office developed a new template for their accounting worksheet used to report annual water diversions. The District is in the process of creating its own set of spreadsheets (tabs) that would be an amendment or supplement to the existing state

workbook. Wrightwater Engineering is developing the District's sheets and we will provide 2021-2022 water year data to the State by November 15th. We are also asking the state to modify the 2020-21 data. The goal for the District and the City is to make sure diversions, and the appropriate amounts, are correctly accounted for to both the District's water rights and to the City water rights.

C. Succession Committee Report-

- a. GM Compensation Package – Directors White and Koermer were asked to compile background information about compensation packages for Mr. Alfone's industry peers locally and throughout the State. The Board discussed Mr. Alfone's projected wage for 2023 with the 6% increase (152.5K). Director White presented figures for different CEOs throughout Colorado, as well as in Montana. The average mean salary for resort towns is \$177K, and for the western slope of Colorado, the average mean equals \$167K. Directors White and Koermer requested input from the Board, however they agreed that \$166K was an appropriate minimum base salary. Mr. Alfone's requested a base salary equal to \$175K per year. Directors Koermer and White wanted to ensure the compensation is competitive and fair. A performance-based review and bonus program on top of the base salary was also discussed and will be investigated soon.

MOTION: To approve a base salary for Mr. Alfone of \$175K effective January 1, 2023.

APPROVED: Vote 5-0

- b. CURA Human Resources – Director Koermer researched options to help the District formalize an annual review process for the GM and to create a more objective process, which will also provide consistency as Boards turn over. He researched and requested a proposal from an HR firm called CURA. He first explained means in which you can assess performance. Bonuses need to be based on certain criteria related to performance, typically it is performance to budget projections. This could also be expanded to consider expense management or revenue projections and determine bonuses to the percentage of Mr. Alfone's and or his team's performance to that budget figure(s). Other items you could grade on might be CIP project completion in a timely manner, collaborating well with vendors to get projects completed and or on budget, employee retention, staff development and growth, employee promotions and trainings completed. CURA proposed a cost of \$7-10K to prepare and provide an annual evaluation of Mr. Alfone and ongoing human resources consultation would add \$1,500 to \$2,000 to evaluate the whole District team. Director Koermer did not want to recommend this firm, mainly because he stated the cost was high. He will continue to explore other options.

It was recommended that staff directly reporting to Mr. Alfone have an annual performance-based review as well which could be an important employee retention and growth-based improvement tool for the team. Mr. Alfone's job description will also be analyzed and modified (fine-tuned) if appropriate helping to evaluate his

performance and his core responsibilities and expectations from the Board. The Board noted and discussed that Mr. Alfone continue to meet with staff and evaluate them individually, at least annually. Director White mentioned that the rest of the staff's wages be reviewed to ensure that they are being fairly compensated, and their wages (based on their job titles and descriptions) are competitive in the industry. Mr. Gilman noted that he has researched performance-based review processes to implement for his staff in order to create appropriate criteria and compare/analyze to pre-determined goals. It is an effective way to track progress and check-in with everyone periodically. Mr. Gilman suggested training and development classes that supervisors and team members could participate in and include them as goals for staff. The Employer's Council (EC) is another resource to consider, and Mrs. Smith mentioned doing additional research on performance evaluations utilizing EC may be beneficial.

VIII. REPORT OF GENERAL MANAGER

A. Executive Summary Review –

Mr. Alfone asked if there were any questions about the material in the Executive Summary. He provided an update about Phase 2A. The Fish Creek Plant has been shut down since September 19th and he acknowledged Mr. Gilman and his team for their excellent preparation for the shutdown and providing for all the contingencies with this project. Mr. Gilman and his team have been able to fine-tune/dial in the system navigating the challenges of operating solely on pumped water (from the Wells Plant) versus a gravity-driven system (Fish Creek Plant). District and City of SBS customers did what was asked of them and shut down their irrigation early. This was a substantial positive impact for this project. Moltz Construction and Triangle Electric have done an excellent job thus far and everything is on schedule. The Fish Creek Plant (admin. offices) is currently operating on temporary power, so they can now dismantle the old MCC and begin installing the new MCC. The PVC curtain baffles are being manufactured and most of the electrical equipment is on site. The project has moved along smoothly, and the project deadline date of November 19th should be achievable.

The Sewer Interceptor Project is progressing well, and this is the last phase of the District's sewer main upgrade and upsizing project. The existing work is taking place at The Villages parking lot, will move under Pine Grove Road and then into Ski Town Park for the final tie in at the southeast side of the Tennis Bubble. The completion date is the end of October.

The Board asked if the District was awarded the FEMA grant for the new and larger generator to service the Fish Creek Plant. Mr. Alfone spoke with a FEMA representative about 1.5 months ago, and the approval looks to be promising. We hope to hear something by the end of the year. The cost of the generator will be roughly \$500-750K. Natural gas or diesel generators are the two options to consider.

Mr. Gilman provided an update outlining his water production spreadsheet. Year-to-date, 786M gallons have been produced, with the peak production months in July and August.

The plant switchover occurred in September and operations are running smooth at the Yampa Wells Plant with the staff producing about 2.5M gallons a day during peak production.

IX. 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 and the GM Compensation Package under C.R.S. 24-6-402 (4)(f).

No Executive Session was convened.

X. UNFINISHED BUSINESS

There was no unfinished business.

XI. NEW BUSINESS

- A. Mr. Alfone asked about the holiday party including possible dates and venues. December 8th was an available date for everyone. Mrs. Smith will reach out to Aurum and the Ore House to see about their availability.

XII. ADJOURN

The next Regular Board Meeting Date is December 9, 2022, at 8:00 A.M.

There being no further business, the meeting was adjourned at 09:44 A.M.

Respectfully submitted,

Frank Alfone, Secretary/General Manager