

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 – September 13th, 2024

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

DIRECTORS ABSENT: None

STAFF PRESENT: Frank Alfone, General Manager
Tyler Gilman, Operations Manager
Cat Smith, Business Manager
Beau Cahill, Project Development Coordinator
(all in-person)

OTHERS PRESENT: Tom Sharp, General Counsel (in-person)
Michelle Carr, Distribution & Collection Manager, City of Steamboat Springs
Cody Berg, Associate VP and Financial Services Lead, Carollo Engineers, Inc.
Kim Lightner, Financial Analyst, Carollo Engineers, Inc.
Misty Raup, Controller, Client Accounting and Advisory Services, Clifton,
Larson, Allen LLP
(all via Microsoft Teams)
Patrick Browning
Jessica Berg
Glenn Davis
Marc Allinson
Carol Kemp
Val Jarvis

I. ESTABLISHMENT OF QUORUM AND CALL TO ORDER

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

- Director Koermer recused himself as a Board member and discussed phosphate systems and the letters that were sent to HOA's from the District demanding the removal of their privately installed systems by November 15, 2024.
- Mr. Koermer provided background on the systems and the importance of their use in stopping copper piping pinhole leaks. With insurance premiums increasing and aging HOA piping, the use of orthophosphate protects HOA's and the assets of the homeowners. Several HOA Boards have asked property management companies to request that the City of Steamboat Springs (COSS) talk to the supplier of the phosphate systems.
- Bruce Stanley who owns and operates W.C. Service (a supplier of orthophosphate), reached out to the COSS, and did not get a response. He asserts that phosphate should be able to remain in place in the level that is being dosed at the HOA's. The COSS is concerned that the wastewater treatment facility will incur additional expenses treating phosphate. Property managers are proposing that the COSS allow W.C. Service to test current phosphate levels at the wastewater treatment plant prior to the introduction of phosphate from the District's system wide implementation (OCCT) plan, then turn off the private systems, test again, and review the change in phosphate levels in order to illustrate that there is no current impact to the wastewater treatment facility. This proposal from W.C. Service was requested of the COSS.
- By utilizing phosphate at 2 parts per million at various HOA properties, it has prevented leaks, reduced insurance claims, and eliminated the need for HOA's to invest millions of dollars replacing their copper pipes.

II. ACKNOWLEDGE PUBLIC

Directly Shively acknowledged the public.

III. APPROVAL OF AGENDA FOR MEETING

MOTION: To approve the agenda.

APPROVED: Vote 5-0

IV. APPROVAL OF SUBMITTED MINUTES OF PREVIOUS MEETING

A. From the July 19, 2024, Regular Board Meeting

MOTION: To approve the minutes from the July 19, 2024, Regular Board Meeting

APPROVED: Vote 5-0

V. PUBLIC COMMENT

Director Shively informed the Public that the District has not been contacted by the Steamboat Springs School District or any other entity about purchasing District-owned land adjacent to Whistler Park for development. The public was given the opportunity to address the board.

- Several Public members thanked the Board for listening to their concerns regarding the Steamboat Springs School District land near Whistler Park. A person noted that due to the school district superintendent's update at the Board of Education (BOE) meeting on Monday, September 9th, there is an urgent need to keep the school district property in Whistler Park from being sold to investors who want to develop the land. The BOE has completed an appraisal, and the property might be listed for sale after the BOE's affordable housing assessment is completed as soon as October. The sale proceeds would go towards building affordable housing on a property across from the Sleeping Giant school.
- Members spoke to the value of having Whistler Park remain a park. The school district was planning to build a 125-unit workforce housing development in partnership with the Ski Resort on the land. Multiple members of the public raised the concern that if the land is sold, will Alterra (Ski Corp. parent company) buy it and build a matching size housing development. Alterra is listed as the main partner providing funding for the school district housing project that was proposed.
- The public asked how the District would keep trespassers off their land if it became affordable housing and raised other potential issues and if fencing is constructed, this could negatively affect wildlife in the area.
- The public asked if the District would try to convince the COSS to acquire the school district property to keep it as a park and open space.
- The public requested that if a fence were built on District land, it would be ideal to include adjacent homeowners in the design process and could homeowners build their own fence and make it aesthetically pleasing.
- The public noted that there are 4 and 5 story affordable housing projects around town and they are all taller than the adjacent residential houses and that scenario would not be ideal for neighbors near the School District parcel.

VI. TREASURERS REPORT

A. Financial Statement – July 31, 2024

The following overview was presented about the July 31, 2024, financials:

- Total operating revenues equaled \$2.1M, which equals 49% of the total budget.
- Operating costs equaled \$1.9M, which is approximately 60% 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 114% of the budget.
- Plant Investment Fee (PIF) revenue equaled \$1,438,228 at end of July, which is 115% of the total budget.
- Capital Improvement Plan (CIP) expenses equaled \$3.63M, \$2.99M of that amount is attributed to the Phase 2B project.
- Total reserves equaled \$2.5M.
- Customer accounts receivable for the 2nd quarter is \$38,357, one HOA equals \$19,544 of that total and the rest are residential accounts. Staff have been in contact with that HOA, and they plan to pay as soon as possible. Once that amount is paid, the total will equal \$18,814. District staff will contact the remaining customers for payment.

MOTION: To approve the July 2024, financial report

APPROVED: Vote 5-0

B. 2025 Preliminary "Summary" Page Budget Review – The first draft of the '25 budget was included in the Board packet. Additional details will be provided at the October 4th Board meeting. Additional input and recommendations from the Carollo team about the financial modeling and rate design will be presented today and at the 10-4-24 meeting.

- Mr. Alfone discussed highlights about the budget submittal, specifically the Thunderhead Beach parcel, as well as two more buildings coming online at the Mid-Valley housing project might yield close to \$2M in plant investment fee (PIF) revenue for '25.
- The District proposes to hire a Water Treatment Plant Supervisor in 2025 as one District employee might retire soon.

- The two major CIP projects in 2025 and 2026 include the Booster I and Lift Station improvements projects and funds are allocated for both projects. The District received City Council approval for the booster station removal and replacement project. The Development Plan for the Lift Station has not yet been submitted to City Planning.
- A cost-of-living payroll increase earmarked for 5% is included and to be discussed by the Board.
- It is anticipated that the District will end 2025 with approximately \$3M-\$3.1M in reserves, with the assumption that 1M is borrowed from the Line of Credit at Mountain Valley Bank.

VII. DRAFT 2023 AUDIT PRESENTATION- MISTY RAUP, CLA

Misty Raup introduced herself and gave a high-level overview of the 2023 year-end financial statements:

- She discussed noteworthy items in the Management Discussion and Analysis section reviewing the schedule of revenues, expenditures, and changes in the fund balances. Received revenue versus budget was \$346K over, expenditures were \$216K less and CIP expenses were over budget by \$814K with the District \$212K under budget at year end.
- Budget variations year-over-year were summarized, and the District collected more PIF fees, service charges, and new meter fees in 2023 than budgeted.
- Chemicals were \$102K over budget and personnel costs were a bit under budget.
- From 2021 to 2023, the District is \$900K greater in revenue than compared to 2 years ago.
- The net position of the District is \$32.8M
- The District has current assets of \$3.2M
- There are no major liabilities of note.
- Depreciation was higher due to having more assets to depreciate.
- Plant investment fees were \$936K compared to \$843K in 2022.
- Cash on hand was higher at the end of 2023 compared to 2022.
- Long-term obligations (three CWRPDA loans) have an outstanding balance of slightly over \$6M.
- The loan covenants require the District to maintain 110% of debt service and three months operating expenses.
- The district is solvent and can pay their debt.
- A portion of the net position is the District's investment in capital assets utilized to invest in infrastructure which is \$29M.
- Water and wastewater funds are separate with most of the assets held within the water fund.

VIII. 2024 RATE STUDY PRESENTATION – CODY BERG, CAROLLO FINANCIAL SERVICES

Cody Berg presented their initial rate study findings:

- Carollo utilizes a 3-step process for their rate studies, the first is the revenue requirement analysis – how much does the District need to recover from customers to cover operating costs. The second is the cost-of-service analysis in which total expenses to produce water are identified. The final step is the rate design whereby the District determines the cost recovery amounts/percentages from each customer class.
- He reviewed the target goals; 90 days of operation and maintenance expenses for both water and wastewater, capital reserves for water equal to \$500K escalating at 3% annually, and wastewater reserves equal to \$150K also escalating at 3% annually.
- Future debt issuances were discussed/analyzed and if money is borrowed, a 25-year term is expected along with lower interest rates.
- Debt Issuance Cost remains at 0.5%, and the existing debt service ratio is 1.10x based on a combined utility fund.
- Carollo separates water and wastewater funds, but also recognizes that the District uses cash flow from both funds to cover the total operating and CIP expenses.
- If there is a future debt issuance, Carollo recommends Debt Service coverage be higher.
- There are 3 tests to run to determine potential revenue increases; the first is the cash flow test to make sure revenues exceed expenses, the second is debt service coverage, per required rate covenants, to ensure there is enough money in the bank to cover debt service, and the third is the reserve fund test to determine whether or not the targeted reserve fund is satisfied.
- A bar graph of the 10-year financial forecast for both the water and wastewater utility funds was shown illustrating the goal that revenues match or exceed expenses, and how reserves dip and rise annually.
- There are significant CIP expenses in both funds shown in the early years of the 10-year planning horizon.

- The most recent and substantial rate increases have set up the water utility fund for success. An overall 3% increase in 2025 and future years for the water utility fund was presented which keeps pace with the inflation and builds cash reserves for unexpected items.
- The wastewater utility fund is a little different due to more capital improvement projects in the early years, and Carollo recommends a rate increase in the first 3 years of 5%, and after the CIP projects completed, a 3% increase was proposed for year 2028 and beyond.
- On a combined basis, the weighted average equaling a 3% increase for water and a 5% increase for wastewater, results in a combined 3.4% increase. These figures can be adjusted after 2025 and as needed if unexpected regulations (CIP Projects) might be required.
- The District has sampled and performed testing for PFAS, and the initial results were “non-detect,” however, if there was a need to treat PFAS in the future, engineering, design, and construction would be required. It was discussed to keep this on the radar moving forward and other future EPA, or CDPHE regulations could have an impact to long-term CIP project costs. PFAS testing will continue for 2 years.
- District staff added aggressive contingency and inflation costs for each future capital improvement project over the 20-year CIP schedule and has requested a proposal from Carollo to review the 2019 Facilities Master Plan to revisit planned projects, determine sequencing, and add cost adjustments based on actual 2a and 2b costs. Also, estimates for Phase 3a have been received, and will be analyzed during the review.
- The Board discussed the “pacing” of capital projects which has led to the district incurring debt and impacting rate structure and is this policy sustainable?
- The Board directed staff to identify and implement a monthly cash flow analysis process.
- Paying down debt early remains a goal of the District but also recognizing that the District incurred debt to alleviate substantial rate hikes to its constituents.
- The Board requested that Carollo run a sensitivity analysis on construction costs for capital projects using an escalation of 8%, understanding the annual construction volatility and is a 3% annual increase adequate to measure against said volatility.
- The topic of PIF revenue decreases if construction costs increase substantially was discussed. District staff has taken a very conservative approach when budgeting PIF revenue, diligently tracking the City planning and development process of projects located in the District.

Carollo will present the final findings of the study at the October 4th meeting.

IX. REPORT OF GENERAL MANAGER

- A. District Updates – Fish Creek Reservoir storage equals 80% and there was a substantial level drop in July, due to an error with a measurement device value leading to an extra release. The storage level is now above the minimum that has been historically recorded at this time. The District received City Council approval for the development plan, conditional use, and lot line setback variance for the new Booster Station I. Design and planning for the new Lift Station continues. The District will submit a development plan application to the COSS planning department soon. An RFP posting is scheduled for 1-1-25, with the current engineers estimate equaling \$2.5M. The easement agreement between the District and the Pines at Ore House HOA was executed for the new Highway 40 Underground Water Main project.
- B. Private Phosphate Systems – The Board discussed the potential conflict of interest and if it is appropriate to allow Director Koermer to participate in the discussion about private phosphate systems. The Board agreed he could participate in the conversation but not vote on any motions by the Board about this matter.
 - The two letters sent out the by the District were discussed, the first stating that private systems would need to be removed by November 15th and the second discussed authority i.e., the COSS would be responsible for enforcement, HOA’s must cover the costs to remove them, and indemnification of liability to the District.
 - Sampling and testing were discussed to get a baseline measurement of how much the private systems currently contribute phosphate to the wastewater system.
 - Ms. Carr stated that when the Wastewater Treatment Plant effluent limit is decided, the City will be required to gather a lot of baseline data so there would be no need to do any testing now. She stated that the global system that will be installed at the treatment plants will accomplish what private systems are designed to do now, essentially there would be no reason for those systems to remain online once the global system is installed.
 - At this time, the COSS is not asking the District to request that HOA’s remove their phosphate systems as the COSS does not know what the environmental impacts may be. Additionally, the COSS cannot determine what additional phosphorous loading limits will do to the river system as it is unknown at this time.
 - The District’s objective when the new corrosion control system is installed (OCCT), is to prevent the precipitation of lead into the water.

The goal of the HOA's systems is to prevent pinhole leaks, and as the municipal water provider, the District cannot control the occurrence of pinhole leaks and or guarantee that the new OCCT will prevent them from happening in the future.

- The Board discussed sending a letter that states the 11-15-24 deadline to remove private phosphate systems at HOA's is lifted.

MOTION: To deliver a follow up letter to the HOA's that have installed private phosphate systems within the District boundary that the date (11-15-24) in which said systems must be removed has been rescinded. Director Koermer abstained from voting.

APPROVED: 4-0

X. REPORT OF GENERAL COUNSEL

- A. Counsel Sharp – Counsel Sharp reviewed the Moore Parcel acquisition history. There were concerns and questions raised by Whistler Park neighborhood customers regarding if access from Highway 40 to the west boundary of the school district site was granted to the School District by the District. Counsel Sharp prepared a written opinion response that was forwarded to these customers. Counsel Sharp stated in the opinion letter that he is not aware of any access easement from Highway 40 across the Moore property to the School District property. Access to the Moore lot, from Stone Lane on the east side of the Homewood Suites Hotel is specifically an easement for the District. It measures 30' and would not meet COSS public road specification requirements. Counsel Sharp discussed the School Districts legal authority to condemn land via eminent domain. Many governments entities have a statutory right to eminent domain, and some have “dominant” eminent domain which gives power to the governmental unit to condemn a property interest of another governmental unit. Counsel Sharp informed the Board that he did not think the School District had the authority for “dominant” eminent domain. Historically, it has not been in the District's best interest to grant access to any entity through the Moore property as it might limit the ability of the District to develop another raw water source at the parcel or its ability to utilize the land for other means.

XI. UNFINISHED BUSINESS

There was no unfinished business.

XII. NEW BUSINESS

There was no new business.

XIII. ADJOURN

The next Regular Board meeting Date is October 4th, 2024, at 8:00 A.M.

There being no further business, the meeting was adjourned at 10:25A.M.

Respectfully submitted,

Frank Alfone, Secretary/General Manager