

**MINUTES OF THE
REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE
MT. CRESTED BUTTE WATER AND SANITATION DISTRICT
October 12, 2021**

Regular Meeting of the Mt. Crested Butte Water and Sanitation District (MCBWS) Board of Directors was held at 5:00 pm on Tuesday, **October 12, 2021**, via <https://zoom.us/my/mcbwsdboardmeeting>.

Members of the Board of Directors in attendance at the meeting were as follows:

Brian Brown Nancy Woolf Nicholas Kempin Jonathan Ferrell

Also present were:

Mike Fabbre, District Manager	Kim Wrisley, Admin Assistant
Perry Solheim, Finance Manager	Tracy Davenport, Admin Assistant
Kyle Koelliker, Water Plant Supervisor	Marcus Lock, District's Attorney
Bryan Burks, Waste Water Plant Supervisor	

1. Call to Order

- The regular meeting of the Board of Directors was called to order by Brown at 5:01 pm and a quorum was present.

2. Citizen Comment Period

- No citizens presented comments.

3. Approve Meeting Minutes

- September 14, 2021

MOTION by Ferrell and seconded by Woolf to approve the September 14, 2021 regular meeting minutes as submitted. Motion voted in favor.

4. WTP Expansion Project Update

- The Memcor membranes which were delayed in the Los Angeles port have been received. The project is still on schedule and on budget. Further updates and progress can be seen in the monthly memo from JVA.

5. MLP Water Color Issues

- The District is waiting for the arrival of equipment and chemicals that were ordered for the state approved pilot program. The District plans to have the program online before the seasonal shift that typically produces a manganese issue.

6. District Manager Report

- Most items to report can be seen in the memorandum included in the Board packet.
- The Mt Crested Butte Town Council approved the generator location variance and the concrete pad has been installed. There will be a \$44,000 cost reduction as the result of that relocation.
- Moltz construction will be applying to the Town to extend the special use permit for allowing their storage tent to remain over the winter at the staging area.
- Koelliker explained the water department discovered an illegal, leaking yard hydrant which was then abandoned and straight lined to the curb-stop.

7. Update to Standards and Specifications For Wastewater System Construction

- As a result of continuing issues with District lift stations, the District is requesting Board approval to update the language of the Standards and Specifications For Wastewater System Construction to address some inadequacies in the current document. With District input about recently experienced problems, JVA engineers have drafted a more robust document outlining necessary changes to design standards for future projects that include lift stations.
- The District will continue to make improvements to existing lift stations even though the new Rules and Regulations language will only apply to new construction and if repairs to an existing lift station become necessary, the District will take that opportunity to upgrade the lift station to the new standards.

MOTION by Ferrell and seconded by Kempin to approve the updates to the Standards and Specifications for Wastewater System Construction. Motion voted in favor.

8. Notice To Disconnect Water Service – 20 Day Notice

- The District has a customer that is delinquent in paying user fee services in the amount of \$1,587.96. After several delinquent notifications and a lien filing, the customer has not paid any portion of the outstanding balance nor have they contacted the District to arrange payments. Per the rules and regulations, the customer has been issued a 20-day notice of disconnection.
- There was discussion regarding the consistent tendency of this customer to become delinquent in their payments, the full process of delinquent notifications/lien placement and the large amount of time the staff spends working on this customer account.
- Lock noted that 3.11 of the District rules and regulations requires giving customers the opportunity of a hearing to offer testimony against disconnection of service. This meeting made notice of the disconnection on the agenda, held a discussion and provided an opportunity for the customer to appear for a hearing. In the absence of the customer at this meeting, the notice and discussion does constitute a hearing.
- There was further lengthy discussion regarding the unfortunate nature of this situation, the severity of this penalty and the process of how all accrued fees can be recovered in the event of foreclosure on or sale of the property.
- Brown requested that the District revisit the current disconnection/reconnection process while updating the rules and regulations and suggested restructuring it so that disconnection occurs sooner to avoid the debt becoming too overwhelming. Lock supported Brown's request.

MOTION by Brown and seconded by Woolf to approve the disconnection of water service for the property located at 1010 Washington Gulch Road. Motion voted in favor.

9. September 2021 Financial Report

- Revenue and Expenditures are tracking as expected. Usage revenue is up slightly from 2020 and is as anticipated for this time of year. Expenditures are slightly under for this time of year because some of them are not distributed evenly throughout the year.
- The "Salaries, Taxes and Benefits" expenditures are tracking just below where expected and because the wastewater department has lost one employee, it's anticipated that item will be further under budget for the end of the year.
- Solheim explained a change made to the Cash Flow Projection report on pages 156 – 157 which will allow the report to accurately reflect cash on hand instead of reflecting anticipated amounts that have not yet been collected. He also noted a mistake to the report on page 157 that should have a date heading of September-2021 instead of August-2021 and he further explained the breakdown of unrestricted cash on hand shown on the page.
- Solheim explained the figures for the "Rate Revenue Stabilization Fund" which is the required amount set aside to meet any debt coverage ratio shortfalls of the retired 2001 CWRPDA loan and noted those numbers are figured into balancing the 2022 budget.

MOTION by Kempin and seconded by Brown to approve the September 2021 Financial Report. Motion voted in favor.

10. Draft 2022 Budget

- Solheim explained the state requirement that a draft budget must be presented to the Board and made public by October 15, 2021. The draft budget will be posted on the MCBWSD website and so noted in two legal section ads which will also announce final approval of the budget and the 2022 rates will occur at two separate special hearing meetings on December 14, 2021.
- Solheim reported the first page of the draft budget proposes the necessary funds to fulfill the WTP Expansion debt repayment requirements. He explained the repayment process and the redistribution and/or reclassification of various line items to support the debt payments and ensure the District does not violate its loan covenants.
- The District expects to receive \$700,000 in tap fees in 2021. The District has also received applications for approximately \$200,000 in tap fees that are anticipated to be paid in 2022. Thus conservatively justifying a 2022 tap fee budget of \$500,000. However, based upon individual conversations with developers and builders, District staff anticipate even higher total tap fees for 2022.
- To the extent that any revenue numbers exceed the budget, there will be a reduction in the amount of required release from the Rate Stabilization Fund to meet the Debt Coverage Ratio requirements.
- Solheim presented justification for several proposed revenue adjustments.
- The District is suggesting a blended 6% increase in tap fees and will rebalance the fees between water and wastewater. At the end of 2022 when the final numbers for the WTP Expansion are known, if the project finishes under budget, there could be an adjustment to bond payments using the surplus funds thus resulting in lower future payments.
- The District is proposing a 6% increase to both User Fees and Availability of Service Fees to help cover a proposed 5% cost of living adjustment (COLA) and merit increases to salaries as well as funds for a significant increase (\$1.4M over the next 2 years) to Wastewater Capital Expenditures for the District's share of the Town of Crested Butte's ATAD facility upgrade.

- Solheim clarified “%Change Projected 2022 Budget” vs “%Change 2021 to 2022 Budget” column allocations and noted corrections to the “Total” headings which are all listed on page 2 of the budget. The orange and blue sections should have “Total 2021” instead of “Total 2020” and the pink section should have “Total 2022” instead of “Total 2021”.
- Solheim explained the Water Fund 2022 budget proposal. The District anticipates coming in slightly under budget by the end of 2021. Despite this, 2022 “Utilities” will have a 0% change from 2021 due to rising costs in natural gas and an increase to utility services for operating the new plant. The District is proposing a 16% increase to “Salaries and Benefits” to accommodate a few employee market adjustments which are based on Colorado salary surveys done by the Employers Council, the rising cost of employee benefits and to acknowledge the severe worker shortage in the valley. The District wants to keep salaries appropriate, competitive and attractive to maintain its staff. Overall there is a proposed 6% operating increase to the water budget.
- Solheim explained the Wastewater Fund 2022 budget proposal. Because salaries are currently more in line with market comparison salaries on the wastewater side, there is a proposed 5% increase to “Salaries and Benefits”. Overall there is a 3% operating increase to wastewater budget.
- Solheim explained proposed General Fund amounts. There is a proposed 24% increase to “Salaries and Benefits” for the District to modify some staff job descriptions and raise most positions closer to the state’s 50th percentile. In the long run, due to high housing costs in the valley, the District would like to eventually elevate salaries to the state’s 75th percentile.
- Solheim reviewed proposed Water Capital Expenditures.
 - The 2022 financial summary for the WTP Expansion Project has a net zero effect on the bottom line of CapEx because each item is being passed along as a loan draw. Assuming the WTP project comes in at the budgeted \$23,175,000, there will be \$6,342,000 left in the “Remaining Project 2022 Budget”. Fabbre reported that the WTP Expansion Project is tracking well and expects that it will come in approximately \$2M+ under budget as the project is currently at 1% or less usage of contingency funds. Discussions are ongoing to determine how best to use surplus funds to pay off the WTP Expansion debt.
 - The District has deferred repairs to the MLP Dam/Pumphouse until Spring 2022 as a result of additional expenses to heat concrete that would be incurred if the project is done in cold weather. Therefore there will be a \$105,000 carryover to 2022 for the project.
- Solheim reviewed proposed Wastewater Capital Expenditures.
 - The District anticipates \$745,000 will be needed for cost sharing with the Town of Crested Butte for their new ATAD facility which processes waste solids for MCBWSD.
 - \$45,000 is proposed to add fixtures and a bathroom to the wastewater breakroom.
 - \$280,000 is proposed for a TIN (Total Inorganic Nitrogen) Compliance Upgrade to meet the current new requirements of the District’s Discharge Permit. The trial set for April 2022 could result in further changes to the discharge permit limits.
 - Some \$20,000+ projects formerly under “Repair and Maintenance” have been Capitalized to help the Debt Coverage Ratio without additional rate fee increases and without releasing more money from the Rate Stabilization Fund. These projects meet the accounting definition of Capital Expenditures by increasing capacity or by significantly increasing the useful life of assets the District currently has in service and by increasing their efficiencies.
- Solheim reviewed proposed General Fund Capital Expenditures.
 - The District is proposing \$25,000 to use outside expertise to overhaul the MCBWSD Rules and Regulations. They will examine several things, including but not limited to, the delinquency and disconnect rules and how to incentivize customers to stay current on their payments. The group that will help with the overhaul has experience in doing the same for other Districts.
 - Based on the PNA (Planned Needs Assessment) done at the beginning of the WTP Expansion Project, there is a proposal of \$25,000 for a “Long-Range Water Plan” to create a more detailed resource with a strong timeline to show how the District will handle water demands for anticipated growth in the area. In addition to providing information to the Town and community, it will provide a resource for the District to plan expenditures and a water rights strategy going forward.
- The proposed “Consulting Summaries” illustrates projects that are not being capitalized because they are very difficult to predict in regards to both legal and consulting expenses. The “General Fund Consulting Expected Expenditures” includes projects for such things as development changes which don’t typically fit under water or wastewater expenditures. The “Wastewater Consulting Summary” and the “General Fund Expected Expenditures” should both have a “2022 Budget” heading instead of “2021 Budget”.
- There is a new budget item for “General Fund Legal Expected Expenditures” to be used for items such as an election with issues that pertain to the Board.
- Woolf expressed being dissatisfied with the MLP surcharge being included in the budget. There will be further discussion about this in the upcoming Executive Session at tonight’s meeting.
- There was a clarification about the deadlines for the draft budget presentation and the final budget approval.

- It was suggested that there be an Executive Session at the November 9, 2021 Board meeting to further discuss personnel costs. There was also a request that more information be provided to the Board showing the results of the Colorado salary surveys.
- Solheim requested Board feedback about the proposed 6% rate increase.
 - Brown reminded the Board that in the initial assessments of the WTP Expansion budget, it was anticipated that there would need to be substantial rate increases for 5 full years. As it stands now, there were substantial increases for only two years (although lower than originally called for by Raftelis) and then smaller increases for the following years therefore the 6% increase proposed now seems much better than initially predicted. With the District also presenting budget decreases, he feels the 2022 figures are reasonable and justified.
 - Woolf expressed that she thinks 6% is a little high because of the surplus of cash on hand and she'd like to see the numbers come down. She also asked for a comparison of MCBWSD rates with other similar District rates. Solheim said he would do a comparable analysis of similar District rates for the next meeting. Solheim also said he will provide the rate increase projections estimated at the time of the WTP Expansion Project loan application. Solheim also explained that the cash on hand cannot influence the Debt Coverage Ratio calculation required to be maintained to stay in compliance with CWRPDA loan covenants.
 - Solheim further explained the relationship between "Reserve Cash on Hand" and the "Rate Revenue Reserve Fund" in terms of how they do and don't impact the debt coverage ratio.

11. Legals

- Lock informed the Board that the WWTP operators are digging a hole on a lot where the property owner is objecting. There may not be an expressed easement but there is an implied easement so title work has been ordered for making a decision on how to proceed with this situation.
- There is currently a Board seat vacancy. If possible, it would be beneficial to keep the members balanced between residents of MLP and the District.

12. New/Old Business Before the Board

- There were no new or old items to discuss.

13. Executive Session

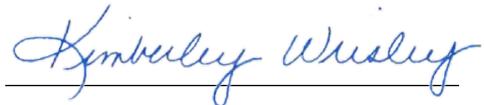
- Consideration of potential executive session pursuant to C.R.S. § 24-6-402(4)(b) to allow the Board of Directors to consult with and receive specific legal advice from the District's general counsel concerning specific legal questions regarding the Meridian Lake Park Corporation letter, water committee and memorandum of agreements.

MOTION by Brown and seconded by Woolf to move into Executive Session at 7:00 pm with Fabbre, Solheim and Lock remaining for the discussion. Motion voted in favor.

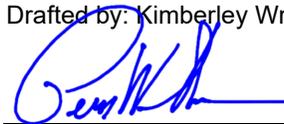
MOTION by Brown and seconded by Ferrell to exit Executive Session at 8:12 pm. Motion voted in favor.

14. Adjourn

MOTION by Ferrell and seconded by Woolf to adjourn the regular board meeting at 8:14 pm. Motion voted in favor.



Drafted by: Kimberley Wisley



Submitted by: Perry Solheim