

**MINUTES OF THE  
REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE  
MT. CRESTED BUTTE WATER AND SANITATION DISTRICT  
OCTOBER 14, 2020**

Regular Meeting of the Mt. Crested Butte Water and Sanitation District (MCBWS D) Board of Directors was held at 5:00 pm on Wednesday, **October 14, 2020**, via GoToMeeting at <https://www.gotomeet.me/MCBWaterSanitationDistrict>.

Members of the Board of Directors in attendance at the meeting were as follows:  
Brian Brown    Carlos Velado    Nicholas Kempin    Nancy Woolf

**Also present were:**

Mike Fabbre, District Manager	Jamie Watt, Hunter Ridge LLC
Perry Solheim, Finance Manager	Norm Whitehead, NCW & Associates
Bryan Burks, Wastewater Plant Supervisor	Michael Dawson, O'Hayre Dawson, P.C.
Tracy Davenport, Admin Assistant	Nancy Grindlay, District Customer
Marcus Lock, District's Attorney	Kathy Hooge, District Customer

**1. Call to Order**

- The meeting was called to order by Brown at 5:00 pm.

**2. Citizens Comment Period**

- No citizens presented comments.

**3. Hunter Ridge Inclusion Update** (Velado recused himself from the meeting during discussion regarding Hunter Ridge Inclusion).

- Latest set of drawings from the developer included in agenda packet.
- Two work sessions with the developer, staff, and JVA have occurred since last Board Meeting.
- The process is ready for formal Board consideration.
- District plans to issue 30-day public notice in the newspaper and developer to certify mail customers within 200 feet of the property line.
- Staff recommendation deadline is 12/4/20 to the Board via email & to the public via the District website.
- A special meeting will be held on 12/16/20 at 5:00 pm via <https://www.gotomeet.me/MCBWaterSanitationDistrict> for the Board to hear staff recommendations and public comment before making a formal decision regarding inclusion.

**4. Clarifier Project Update** (Velado returned to the meeting).

- Drip edge, panel on building, & temperature probe completed last Friday.
- IWS requested final completion.
- Items remaining before final settlement include time overages and COVID related issues.
- The Clarifier #3 has been online for the last couple of months and is performing as expected.
- Clarifier #2 will be refurbished, discussion to follow during the 2021 draft budget presentation.

**5. Water Treatment Plant (WTP) Expansion Project Update**

- Project remains on schedule and on budget.
- Issue of pipeline alignment near Homestead property easement line has been resolved.
- Temporary tent structure to be placed on storage area soon at the bottom of Gold Link.

**6. Meridian Lake Park Corporation (MLPC) Water Committee Update**

- No movement since last board meeting, one of the MLPC members is having some availability challenges.
- No timeline on when MLPC member will be available to continue discussion.

**7. District Manager Report**

- Daisy Circle project completed smoothly. Some disturbance to homeowners but budgeted includes funds for hydro mulch and reseeded which should help satisfy homeowner concerns.
- Final punch list has been completed except for one piece of equipment that remains onsite.
- Quarterly storage tank inspections have been completed.
- Clarifier 2 inspected, no catastrophic damage will require minor repairs to scrubbers, coatings.
- Oil sampled from the motor will be sent to be examined for metal shavings to determine if there is a need to replace bearings or other major mechanical parts.

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**8. Employee Evaluations 2020**

- Self-evaluation forms have been sent to staff.
- Supervisors sent Fabbre's evaluations to Brown. Brown to summarize and send to the Board.
- Executive session to be held to discuss evaluation with Fabbre.
- Feedback from staff has been helpful to the board.
- Board to have feedback back to Brown by 10/30/20.

A large, blue, semi-transparent watermark with the word "Draft" in a bold, sans-serif font is positioned in the upper right quadrant of the page. The watermark is slightly tilted and has a circular dot to its left.**9. Resolution No. 2020-5 MCBWSD Investment Policy**

- Solheim advised that the District has not had an investment policy in place.
- Once policy is approved, Solheim will start developing strategic investment plans that will be brought to the Board at future meetings.
- The policy lays out those investment vehicles that the District can include in its investment strategy.
- The policy aligns with SDA standards on what recommended investment types.
- The policy designates Solheim as having authorization to invest in the specific types of investments included in the policy.
- Colotrust reviewed the resolution and concluded that the policy aligns with state guidelines and statutes as well as follows best practices they experience in their SDA clients.
- Kempin noted a correction to the spelling of "delegation" in the heading of page 2 of the policy.

**MOTION** by Velado and seconded by Kempin to approve the Mt. Crested Butte Water & Sanitation District Investment Policy, Resolution 2020-5. Motion voted in favor. Resolution Attached.

**10. September 2020 Financial Report**

- Currently 75% through the year and are at 69% of expenditures.
- One adjustment on operating equipment/supplies was made to prior periods that lead to corrected cash flow from the beginning of the year.
- Significant payments: \$13,000 to Pinyon consulting for the Wastewater discharge permit, \$10,000 to Town of Mt Crested Butte for water line modifications at the CBMR Maintenance Facility, \$11,800 to Cesare for the WTP Expansion Geotech work, and \$73,500 to JVA for the WTP Expansion project management.

**MOTION** by Velado and seconded by Woolf to approve the September 2020 Financial Report. Motion voted in favor.

**11. 2021 Draft Budget Review**

- Solheim presented the staff proposal for the District 2021 Budget.
- The District must maintain 1.10 debt coverage ratio to stay in compliance with the CWRPDA loan for the WTP Expansion Project.
- The CWRPDA Debt Service will not be a full payment amount until 2022, thus the District has time to bring rates to the level required for future needs.
- Proposed budget includes a 3% rate increase for User, Availability of Service, and Tap Fees.
- The Board discussed various expenditure changes included in the new budget.
- The 2001 bond for the Wastewater Treatment Plant will be retired in 2021.
- MLP operations are direct expenditures to MLP operations; no labor or operating overhead is included in the line item. A generator will be repurposed for use at the Creek Cove lift station.
- Capital project titled land purchase are estimates for the parcel of land adjacent to 100 Gothic Road and some small areas of land near the Water Treatment Plant. Precise land costs are currently unknown, but this line item may be updated before the final budget is approved.
- Capital project titled Clarifier #2 Rehabilitation is an estimate that will be finalized before final approval.
- Tap fee rates to be increased 3%. At the request of Woolf, Solheim will present analysis for justification of total Tap Fee revenue at next meeting. Traditionally this has been a difficult number to predict and past Boards have elected to stay conservative.
- Solheim will be re-evaluating the tap fee structure for the 2022 budget so that the fees better reflect the Districts capital structure following the WTP Expansion.

**12. Approve Meeting Minutes – September 8, 2020**

- Agenda item 4, Velado recused himself from the meeting
- Agenda item 5, Velado returned to the meeting

**MOTION** by Kempin and seconded by Velado to approve the September 8, 2020 meeting minutes as amended. Motion voted in favor

**13. Legals**

- Lock has been working on the following items: The Hunter Ridge Inclusion, potential real estate acquisition, water line easements, trespassing issues, 43 Paradise, and reviewed the investment policy.

**14. New/Old Business Before the Board**

- Board vacancy, January 2021 appropriate time to pay to advertise the open position again.
- If Velado's interim position with the Town of Mt. Crested Butte becomes permanent, he plans to resign from the Board.

**15. Adjourn**

**MOTION** by Velado and seconded by Kempin to adjourn the meeting at 6:37 pm. Motion voted in favor.



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Perry W. Solheim, Board Secretary

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# Resolution No. 2020- 5

## Special District Investment Policy

### **POLICY**

It is the policy of Mt. Crested Butte Water and Sanitation District (“the District”) to invest public funds in a manner that will provide preservation of capital, meet the daily liquidity needs of the District, diversify the District’s investments, conform to all local and state statutes governing the investment of public funds, maintain required segregation of funds per loan covenants, water rights agreements and state statutes, and generate market rates of return.

This Investment Policy addresses the methods, procedures and practices which must be exercised to ensure effective and judicious fiscal and investment management of the District’s funds. It replaces any previous investment policy or investment procedures of the District.

This Investment Policy was adopted by the Board of Directors of the District on 10/14/2020.

### **SCOPE**

This Investment Policy shall apply to all funds accounted for in the District’s annual audit report.

Cash may be pooled for investment purposes, but Plant Investment Fees and Cash held in Lieu of Water Rights will be maintained in segregated accounts until such time that such funds are released from restrictions or used for the appropriate purposes. The investment income derived from the pooled investment accounts shall be allocated to the contributing funds based upon the proportion of the respective balances relative to the total pooled balance in the investment portfolio. Interest earnings shall be distributed to the individual District funds on an annual basis. The Plant Investment Fees account will be reduced at the close of each year to the extent that funds were used for capital expenditures in accordance with state statute.

### **INVESTMENT OBJECTIVES**

The District’s principal investment objectives are:

- Preservation of capital and protection of investment principal.
- Maintenance of sufficient liquidity to meet anticipated cash flows.
- Segregation of funds to meet loan, state statute, and water rights requirements.
- Attainment of a market rate of return.
- Diversification to avoid incurring unreasonable market risks.
- Conformance with all applicable District policies, State statutes and Federal regulations.
- Maximization of funds available for investment.
- Maximization of investment earnings consistent with the objectives outlined in this section.

## **DELEGATION OF AUTHORITY**

The Finance/Administration Manager (“Finance Manager”) is vested with responsibility for managing the District’s investment program and for implementing this Investment Policy. The Finance manager may delegate the authority to conduct investment transactions and to manage the operation of the investment portfolio to other specifically authorized staff members. No person may engage in investment transactions except as expressly provided under the terms of this Investment Policy.

The Finance Manager shall establish procedures which shall be designated to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the District.

The District’s Finance Manager may engage the support services of outside investment advisors with respect to its investment program, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of the District’s financial resources. Such services may include engagement of financial advisors in conjunction with debt issuance, portfolio management, third party custodial services, and appraisals by independent rating services.

## **PRUDENCE**

The standard of prudence to be used for managing the District’s investment program is the “prudent investor” standard applicable to a fiduciary, which states that a prudent investor “shall exercise the judgment and care, under circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of property of another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as probable safety of capital.” (Colorado Revised Statutes 15-1-304, Standard for Investments.)

The District’s overall investment program shall be designed and managed with a degree of professionalism that is worthy of public trust. The District recognizes that no investment is totally without risk and that its investment activities are a matter of public record. Accordingly, the District recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio’s return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the District.

The Finance Manager and other authorized persons acting in accordance with established procedures and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided appropriate action is taken to control adverse developments and any deviations from expectations are reported to the Board of Directors in a timely fashion.

## ETHICS AND CONFLICTS OF INTEREST

District employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the District's investment program or that could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Employees shall disclose to the Finance Manager any material financial interest they have in financial institutions that conduct business with the District, and they shall subordinate their personal investment transactions to those of the District.

## AUTHORIZED SECURITIES AND TRANSACTIONS

All investments will be made in accordance with the Colorado Revised Statutes as follows: C.R.S. 11-10.5-101, et seq. Public Deposit Protection Act; C.R.S. 24-75-702, local governments – authority to pool surplus funds; and C.R.S. 24-75-601 *et seq.*, Funds-Legal Investments. Any revisions or extensions of these sections of the statutes will be assumed to be part of this Investment Policy immediately upon being enacted.

This Investment Policy further restricts the investment of District funds to the following types of securities and transactions:

1. U.S. Treasury Obligations: Treasury bills, Treasury notes, Treasury bonds and Treasury STRIPS with maturities not exceeding five years from the date of trade settlement.
2. Corporate Debt: with a maturity not exceeding three years from the date of trade settlement, issued by any corporation or bank organized and operating within the United States. The debt must be rated at least AA-, Aa3 or the equivalent by at least two NRSROs, and rated not less by any NRSRO that rates it. The District may invest up to 20% of the book value of its investment portfolio in these securities as long as the aggregate investment in commercial paper and corporate debt does not exceed 20% of the District's investment portfolio, and no more than 10% in the District's investment portfolio may be invested in the obligations of any one issuer.
3. Certificates of Deposit (CD): with a maturity not exceeding five years in any FDIC insured state or national bank located in Colorado that is an eligible public depository as defined in C.R.S. 11-10.5-103. Certificates of deposit that exceed FDIC insurance limits shall be collateralized as required by the Public Deposit Protection Act. Negotiable CD's defined in C.R.S. 24-75-601, with a maturity not to exceed five years and principal investment (plus one year's accrued interest) not to exceed the FDIC insured limit at the time of purchase.
4. Local Government Investment Pools: authorized under C.R.S. 24-75-702 that: a) are "no-load" (no commission or fee shall be charged on purchases or sales of shares); b) have a constant net asset value of \$1.00 per share; c) limit assets of the pool to those authorized by state statute; d) have a maximum stated maturity and weighted average maturity in accordance with S.E.C. Rule 2a-7 of the Investment Company Act of 1940; and e) have a rating of AAA or the equivalent by one or more NRSROs.

5. Money Market Mutual Funds: registered under the Investment Company Act of 1940 that: 1) are “no load” (no commission or fee shall be charged on purchases or sales of shares); 2) have a constant net asset value of \$1.00 per share, 3) limit assets of the fund to those authorized by state statute; 4) have a maximum stated maturity and weighted average maturity in accordance with S.E.C. Rule 2a-7 of the Investment Company Act of 1940; and 5) have a rating of AAA or the equivalent by one or more NRSROs, or if the fund’s assets are at least one billion dollars.
6. Municipal Bonds: with a maturity not exceeding five years from the date of trade settlement, issued by any state in the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities. A general obligation debt must be rated at least AA by at least two NRSROs. A revenue obligation debt must be rated at least AA by at least two NRSROs. The District may invest up to 20% of the District’s investment portfolio, and no more than 10% of the District’s investment portfolio may be invested in the obligations of any one issuer.

The foregoing list of authorized securities and transactions shall be strictly interpreted. Any deviation from this list must be pre-approved by the Board of Directors.

The District may, from time to time issue bonds, the proceeds of which must be invested to meet specific cash flow requirements. In such circumstances and notwithstanding the paragraph immediately above, the reinvestment of debt issuance or related reserve funds may, upon the advice of Bond Council or financial advisors, deviate from the provisions of this Investment Policy with the written approval of the Board Chairperson.

### **INVESTMENT DIVERSIFICATION**

The District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments. Nevertheless, the asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy, the securities markets and the District’s anticipated cash flow needs.

### **INVESTMENT MATURITY AND LIQUIDITY**

The investment portfolio shall remain sufficiently liquid to meet all cash requirements that may be reasonably anticipated. To the extent possible, investments shall be matched with anticipated cash flows and known future liabilities. Investments shall be limited to maturities not exceeding five years from the date of trade settlement.

### **SELECTION OF BROKER/DEALERS**

The Finance Manager shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the District to purchase securities only from those authorized firms.

To be eligible, a firm(s) must meet at least one of the following criteria:

1. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a Primary Dealer within its holding company structure,
2. Report voluntarily to the Federal Reserve Bank of New York,
3. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

The Finance Manager will select broker/dealers on the basis of their expertise in public cash management and their ability to provide service to the District's account. Each authorized broker/dealer shall be required to submit and annually update a District approved Broker/Dealer Information Request form that includes the firm's most recent financial statements.

### **SAFEKEEPING AND CUSTODY**

The Finance Manager shall approve one or more banks to provide safekeeping and custodial services for the District. A District approved safekeeping agreement shall be executed with each custodian bank. Each financial institution that holds District securities in safekeeping is known as a "custodian".

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. Ownership of all securities shall be perfected in the name of the District. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities, except non-negotiable Certificates of Deposit, Local Government Investment Pools and Money Market Mutual Funds, purchased by the District will be delivered by either book entry or physical delivery and will be held in third-party safekeeping by the District approved custodian bank, its correspondent bank or the Depository Trust Company (DTC).

All Fed wireable book entry securities shall be evidenced by a safekeeping receipt or a customer confirmation issued to the District by the custodian bank stating that the securities are held in the Federal Reserve System in a Customer Account for the custodian bank which will name the District as "customer".

All Depository Trust Company (DTC) eligible securities shall be held in the custodian bank's DTC participant account and the custodian bank shall issue a safekeeping receipt evidencing that the securities are held for the District as "customer".

The District's custodian will be required to furnish the District a monthly report of safekeeping activity, including a list of month-end holdings.



**PERFORMANCE BENCHMARKS**

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the investment portfolio shall be compared to the average yield on the U.S. Treasury security that most closely corresponds to the investment portfolio’s weighted average effective maturity. When comparing the performance of the investment portfolio, all fees involved with managing it shall be included in the computation of its rate of return net of fees.

**REPORTING**

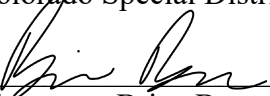
The Finance Manager will submit, at minimum, a quarterly report to the Board of Directors listing the investments held by the District, book and market values of the investments and performance results. The report shall include a summary of investment earnings during the period.

**POLICY REVISIONS**

The Investment Policy shall be reviewed annually by the Finance Manager and Board of Directors and may be amended by the Board of Directors as conditions warrant.

APPROVED AND ADOPTED by the Board of Directors of the District on this 14<sup>th</sup> day of October, 2020.

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT,  
A Colorado Special District

BY:  \_\_\_\_\_  
Chairperson: Brian Brown

ATTEST:  \_\_\_\_\_  
Board Secretary:  olheim