

DONALA WATER AND SANITATION DISTRICT
BOARD OF DIRECTORS
MEETING MINUTES
June 28, 2018

The Board of Directors of the Donala Water and Sanitation District met in regular session at the District's office, 15850 Holbein Dr., El Paso County, Colorado on June 28, 2018 at 1:30pm.

Directors: Ken Judd
Bob Denny (Absent)
Ed Houle
Dennis Snyder
Wayne Vanderschuere

Staff: Kip Petersen
Tanja Smith
Christina Hawker
Mark Parker

Guests: Jim Kendrick
Bill George
Phil Book
Tom Sistare (Hoelting & Co.)
Rick Fendel
Katie Fendel
Kevin Deardorff

President Powell called the meeting to order at 1:30pm. All arose for the Pledge of Allegiance.

Judd excused Denny's absence.

Public Comment Non-Agenda Items:

- None

Review of Minutes:

- Minutes from May 2018 Board Meeting accepted as submitted. Snyder motioned to accept Houle second. All aye.

Review of Financial Statements and Check Summaries:

- Currently at 59% overall.
- Revenue is still a little low, however it should pick up with the hot month predicted.
- Installation and TAP fees still down, golf course redevelopment will be picking up.
- Misc. Revenue down as we are still waiting on payment from Mr. Barrish.
- District Engineer is over already due to review on projects within the District.
- Training is going to go over. Petersen will allocate more at the end of the year to compensate.

- Capital projects currently on target.
- Revenue on Waste is a little behind as we are awaiting payments from Triview.
- Telephone is low, may have to consider adjusting budget for 2019.
- Still have not seen fees for permits and applications at Waste yet.
- Both capital projects at Waste are in progress with no invoices coming in as of yet.
- Overall Waste is at 72%.
- Investment returns continue to increase. Rates of return are: General Fund at 2.26, Debt at 2.22, Bond at 1.6.
- Houle motioned to accept financials, Vanderschuere second. All aye.

Manager's Report:

- Bid opening for Gleneagle Drive water line replacement & water line between Jessie booster and R. Hull water plant was held on June 21st at GMS.
 - Schedule 1 (Bore): Global Underground was the low bid at \$918,458. We have worked with Global in the past. They are the best qualified to bore the proposed water line. GMS recommends Global Underground.
 - Petersen asked the Board to award the bid to Global Underground. Vanderschuere motioned to accept, Houle second. All aye.
 - Schedule 2 (Water Line): BEC Construction was the low bid at \$1,519,169.50. BEC could not obtain a bond therefore GMS recommends Pate Construction who had the next lowest bid at \$1,980,354.
 - Petersen asked Board to award Pate Construction \$1,170,000, with the understanding that funds will be pulled from Water and Power Authority Loan funds in the next 30 days to make up the difference.
 - The Bid from BEC provides for a 5% fee if they have to withdraw. Donala will receive \$75,000 due to this clause.
 - Houle motioned to accept, Snyder second. All aye.
 - Schedule 3 (Saddle TAPs): Beers Construction was the low bid at \$136,605.
 - Houle motion to accept, Snyder second. All aye.
- These bids were developed using unit prices, so we can adjust the length of the project in Schedule 2.
- Total budget for capital projects is \$2,600,000. The above bids total \$3,035,417. We are not required to take the lowest bid, but the lowest "responsible bid".
- An open house is scheduled for July 10th for any resident to learn more about these projects.
- Target start date is July 16th for Phases 1 & 2. Phase 1 should take approximately 30 days. Phase 2 & 3 should be complete by mid-October.
- Consider carriage agreement with Fountain Mutual Irrigation Company (FMIC) to measure our Laughlin Water.
 - In order to earn an income stream while the District moves through the multi-year water court process, Donala will lease this water to the Arkansas Basin Ground Water Users Association (AGWU).
 - The agreement is for 40 years, with a review of conditions every 10 years. The one-time buy in fee is \$11,756.68 for use of the FMIC facilities.
 - Annual costs will be variable. Estimated costs currently are \$44/AF, or \$14,256.
 - Petersen anticipates leasing this to AGUA at \$125 per AF which is \$40,000.

- Vanderschuere asked if there is any interruption do we still need to pay the full amount. Yes, we will have to pay according to the proposed agreement.
 - Capital costs of FMIC will be assessed based upon our proportionate share for capital type costs and extraordinary maintenance or repair costs incurred on the Ditch facilities.
 - Our share is based upon the ratio of our water to the total annual headgate diversions.
 - There is also a reimbursement to FMIC for the Transit Loss Model Assessment paid by FMIC, based upon how much water we flow vs. the total deliveries.
 - Judd asked who will be the operator for this accounting, Mark Parker will be.
 - Vanderschuere asked when we expect this to be operational, Petersen expects within 30-45 days.
 - Snyder asked about the risk, Rick Fendel stated that any water right can be abandoned. For the period of non-use, (of which this right was out of use for 15 years, never considered abandoned though) intent to abandon would have to be proved. There was never an intent to abandon by the Gray Family Trust during this time.
 - Houle motion to accept, Snyder second. All aye.
- Presentation of Audit by Tom Sistare of Hoelting and Company.
 - Started audit in early March. Results are unmodified clean opinions.
 - Cash and investments increased by \$68K from last year.
 - Capital assets increased due to \$4.9 in outlays last year.
 - Net position increased very little.
 - Overall very little change in operating expenses from 2016.
 - Internal controls had no negative findings.
 - Petersen and the Board applauded Christina Hawker for all of her hard work.
- A Sun Hills resident approached Donala several weeks ago requesting to tie-in to our water system. Operationally this is a feasible request. The resident would be required to pay for his infrastructure and our TAP fees as well as tie-in to our sewer system.
 - Petersen believes this request has broader implications:
 - The District has made representations to both the Bureau of Reclamation and to Pueblo County that we are close to buildout within Gleneagle. Those would need to be reflected in our applications.
 - This is a similar situation as Chaparral Hills, which was offered to annex into the District as a whole. However only a few homeowners took advantage of the offer. Once they tied into Donala's water service the County allowed them to subdivide their 5 acre lots into 2.5 acre lots.
 - Concern that Sun Hills would be made the same offer and the 100 current homes would grow to 200. Even though the District would require them to deed their water rights to Donala, none of their rights are renewable.
 - Snyder concerned this will further delay our 1041 permit with Pueblo, which is imperative that we receive. As well as potentially upsetting the Donala constituents who are already on water restrictions.
 - Katie Fendel also noted that this will impact our permit with the Bureau of Reclamation.
 - Houle believes annexation should be the only option with no ability to divide their lots.
 - Board decision is to not make any offers to Sun Hills at this time based on the negative impact to Donala.

- Possible agreement with Triview to move **their** FMIC water through our system to get to Triview Metro District. It is in line with our goal of regionalization and will generate additional revenue. However, there are questions concerning engineering related to peak demands.
 - Triview will have to pay for the infrastructure, analysis and engineering.
 - Vanderschuere mentioned there is the possibility of Triview using Donala to move Triview's water through our system to provide water to other Districts.
 - Judd in agreement that this will be beneficial to both Districts in the movement towards regionalization.
 - Vanderschuere stated there would need to be a buy in.
 - Petersen requested a motion to continue the investigation and research.
 - Houle motion to move on with discussions with Triview, Snyder second. All aye.
 - Donala and Triview Boards will meet in a joint session in the future.

- Vanderschuere and Judd attended the Joint Front Range Roundtable meeting on behalf of Donala.
 - Vanderschuere took away there will be some rationing on the Colorado River in 2020 decade.
 - They had some good ideas on how the South Platte Storage Study.
- Drought report shows those areas of extreme and exceptional drought continue to creep northward. El Paso County is currently in Stage 2 burn restrictions. Will post on Donala website.
- Donala along with PPRWA will be hosting a lunch on Sept. 7th at our Willow Creek Ranch to show CSU how our system works. Lunch will be split between Security, Woodmoor and Donala. CSU will provide tents, tables, chairs and porta potties. Petersen feels this will be a good expenditure to show City Council/Utility Board members how a regional approach to water deliver can be accomplished.
- Petersen requests an Executive Session under provisions CRS24-6-402(4b)€, for the purpose of board direction on a particular policy.

Willow Creek Ranch:

- The District is currently taking credit for water coming off Willow Creek Ranch. We currently have 179 AF in storage in Pueblo Reservoir.
- Petersen and Mark Parker met with state hydrographer to have them confirm the flumes are calibrated properly, which was confirmed. He recommended we dig out some of the bank to make a straighter stream channel into the flume.
- Ranch is driest Petersen has seen in 5 years.
- We have seen some movement on our 1041 permit, request for exemption or FONSI determination. Wright Water Engineers Report is favorable in the review of the existing storm water drainage system within Donala boundaries and stated that the replacement of Denver Basin groundwater with Willow Creek Ranch water will not have an impact on storm runoff. Petersen has call in to Joan Armstrong, the Planning Director for Pueblo County to determine what the next steps will be.
- We should see the Bureau of Reclamation draft Environmental Assessment in early July, for our proposed long-term contract. Katie Fendel has spoken with Terry Stroh and feels good that the EA should find there are no major impacts from switching to a renewable source vs. ground water.

- Currently we have conditional rights to exchange our Willow Creek Ranch water into Turquoise Lake, Twin Lakes and Clear Creek Reservoir. Rick Fendel has been working to make those rights absolute. Water Court, Division 2, found that our due diligence was adequate and granted our request to make that exchange into Twin Lakes, absolute. We will have another diligence review in 2024 for Turquoise and Clear Creek, which continue to be conditional at this time.
- Petersen continues to meet with Abbey Ortega and Jenny Bishop from CSU in regards to our agreement for delivering our Willow Creek Ranch water. They have another draft bridge agreement in the works at this time.

Status of Operations:

- Both treatment plants are operational and producing water. In May both plants produced 23,597,000 million gallons with 7,327,358 million gallons provided by Willow Creek Ranch.
- The wastewater treatment plant is operating well and within our permit parameters. We are proceeding with the planned installation of the new screen unit and catwalk around Lake DEB.
- We are again explaining to the County that our Gleneagle water line replacement project is replacement of an existing water line and therefore is not subject to the El Paso County 1041 permit process. Over the last 2 months we thought this had been resolved. However, last week the County Engineering Department refused to sign off on our plans. GMS has had to submit a letter requesting an exemption at the last minute, along with \$279, for their review. We have been told by Developmental Services that this should not cause any delays for our project, however it has already added to the cost of the project.
- We are currently installing 3 valve clusters in various areas of the District. Did have some delays due to equipment failure and vendor delays in getting us the parts needed.
- We are continuing to have communication issues with our SCADA system. Mark Parker and Timberline Electric continue to troubleshoot the problem.

Development Update:

- Development with Academy Gateway continues.
- My Place Hotel and Starbucks are now open.
- 7-11 is still under review by the County's Developmental Services Department, as is the office building proposed on the north side of the Community Banks Building.
- We have received word that the County will start the construction of the roundabout at Gleneagle and Struthers in July.

Additional Comments:

- Deardorf asked about the water leak sign he saw. Was placed by Academy Water & Sanitation.
- Phil Book expressed concern about Triview's growth.
- Bill George congratulated Christina on the excellent outcome of the audit.

With no further comments, it was moved by Houle, second by Snyder to adjourn to Executive Session under CRS 24-6-402(4)(b) for a conference with the District's legal counsel for the purpose of receiving legal advice on specific legal questions. Motion carried, and the Board adjourned the regular session at 3:56 and went into executive session.

It was moved by Houle, second by Vanderschuere, to close the Executive Session and return to an open meeting. Motion carried and Petersen announced that staff had been provided direction on the legal question discussed.

Snyder then asked Petersen about the employee's retirement benefits and it was noted that there will be a larger discussion during the budget process.

There being no further business, the President declared the meeting adjourned.

These minutes are respectfully submitted for record by Tanja Smith on May 17, 2018.