

# **SNAKE RIVER WATER DISTRICT**

## **MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS**

**Tuesday, May 8, 2018**

The Board of Directors of the Snake River Water District (SRWD), Summit County, Colorado, met at the office of the Administrator, 0050 Oro Grande Drive, Keystone, Colorado, on May 8, 2018, for their regular quarterly meeting. The meeting was called to order by President Helmer at 4:00 p.m.

### **ROLL CALL**

The following members of the Board of Directors were present, constituting a quorum: Dave Helmer – President; Randy May – Vice President; Char Bloom – Secretary; John Graham – Treasurer; William Bergman – Director; Mark Mathews – Director; and Dick Brenner - Director. Also present were: Steve Hill – District Administrator; Ron Mentch – Superintendent of Operations; Scott Price – Assistant District Administrator; Dan Teodoru - Legal Counsel for the District; Laura Puca – Auditor.

### **APPROVAL OF RESOLUTION #3-2018 Cancelling 2018 Election**

Director Mathews moved and Secretary Bloom seconded a motion to approve Resolution #3 as presented. The motion passed unanimously.

### **OATH OF OFFICE**

President Helmer administered the oath of office for each of the newly elected Board members: William L. Bergman, Derrall D. Brenner, Mark R. Mathews, Randy S. May.

### **ELECTION OF OFFICERS**

Director Mathews moved to approve the following slate of officers for two-year terms as provided by section 7.8 of the District Bylaws:

- President - Dave Helmer
- Vice President - William Bergman
- Secretary - Char Bloom
- Treasurer - John Graham.

Director May seconded the motion and the motion passed unanimously.

## **APPROVAL OF CONSENT AGENDA**

Director May moved and Director Bloom seconded a motion to approve the consent agenda as presented. The motion passed unanimously.

## **ACCEPTANCE OF AUDIT**

Laura Puca, of Crady, Puca and Associates, reviewed her firm's draft audit of the District's accounting for 2017 with the Board. She stated her firm was offering a "clean, or unmodified opinion" regarding the District's 2017 financial accounting practices and financial statements. Other than adding a footnote regarding the recently signed Letter of Intent with Vail Resorts, she had no audit adjustments. She was pleased that everything in the process this year went smoothly, and her firm had no difficulty with the data provided by the District.

Treasurer Graham expressed concern over the Management's Discussion and Analysis statements pertaining to new cost estimates for capital improvements. Administrator Price described his work during the past two months to develop a new project plan for Base 3, discussions with Tetra Tech, as well as input from Director May and Superintendent Mentch. The higher costs were attributable to the rapidly increasing costs of construction, the accuracy/contingency factors used by Tetra Tech, and a conservative approach applied by Mr. Price in the calculations. It was stressed that we only have a conceptual design and no contractor bids at this time, so we have a low confidence in the estimate accuracy. Concerns were also expressed because the new estimates and timelines indicate the District will not have enough capital to complete the Base 2 project in 2021. Previous timelines projected most of the Base 2 Tank costs to be incurred in 2023-2025. New information regarding the land exchange between Summit County and US Forest Service estimate that the District could acquire the property in 2020. It was concluded that the District can wait to begin construction on the Base 2 Tank until capital reserves are adequate for completing the project. The Board requested that Mr. Price make revisions to the MD&A to reflect that conclusion.

The Board voiced appreciation to Ms. Puca for her firm's review of the District's financial statements and procedures.

Secretary Bloom moved to accept the Audit with the revisions to the MD&A, and Director May seconded the motion. The motion passed unanimously.

## **APPROVAL OF VARIOUS AGREEMENTS FOR ALDERS PHASE 4**

Administrator Price provided an overview of the Alders project and answered questions from the Board regarding the request to approve the following documents:

- 1) Water Main Extension Agreement (WMEA).
- 2) Grant of Easement (incorporated in the WMEA).
- 3) Water Service Improvements Agreement (WSIA).

Dan Teodoru explained that the agreements and exhibits being presented for approval are the standard legal documents with no special terms and conditions.

After discussion, a motion was made by Director May to ratify all documents and authorize President Helmer to sign them. It was seconded by Secretary Bloom. The motion passed unanimously.

### **APPROVAL OF VARIOUS AGREEMENTS FOR WINTERGREEN**

Mr. Price provided an overview of the Wintergreen project and answered questions from the Board regarding the request to approve the following documents:

- 1) Water Main Extension Agreement (WMEA).
- 2) Grant of Easement (incorporated in the WMEA).
- 3) Water Service Improvements Agreement (WSIA).

Gorman and Company will be leasing the land from Vail Summit Resorts, and a letter from VSR Chief Operating Officer James O'Donnell was presented to the Board. The letter consents to Gorman executing all agreements with the District. Dan Teodoru explained that he approved of the arrangement and consent letter. He also stated that the agreements and exhibits being presented for approval are the standard legal documents, and he recommended the Board proceed with approval.

After discussion, a motion was made by Director Bergman to ratify all documents and authorize President Helmer to sign them. It was seconded by Director May. The motion passed unanimously.

### **APPROVAL OF VARIOUS AGREEMENTS FOR KEYSTONE SCIENCE SCHOOL**

Mr. Price provided an overview of the Keystone Science School project. Director May stated that he would abstain from voting on this item because he is working with Keystone Science School on this construction project. Mr. Price answered questions from the Board regarding the request to approve the following documents:

- 1) Water Main Extension Agreement (WMEA).
- 2) Grant of Easement (incorporated in the WMEA).
- 3) Water Service Improvements Agreement (WSIA).

Dan Teodoru explained that the agreements and exhibits being presented for approval are the standard legal documents with no special terms and conditions.

After discussion, a motion was made by Director Matthews to ratify all documents and authorize President Helmer to sign them. It was seconded by Treasurer Graham. The motion passed 6-0 with Director Randy May abstaining.

## **SUPERINTENDENT'S AND ADMINISTRATOR'S DISCUSSION ITEMS**

### **Lead/Copper Testing**

Superintendent Mentch provided an update regarding the District's current testing for Lead and Copper. The final samples for the first set of 40 samples were taken in the past week, and the results for those were not available at the time of the Board meeting. The second set of 40 samples will begin in July. There has been only one sample so far this year that exceeded the action level for lead. It was from a property that exceeded last year. When the lab returns the remaining test results, the 90<sup>th</sup> percentile will be reported. There are no other data points that cause concern at this time. The Operations Team will continue to monitor lead and copper closely, and all reporting requirements will be followed accordingly.

### **Corrosion Control**

Superintendent Mentch presented an update on the Optimal Corrosion Control Treatment Study project. The final document was completed by Tetra Tech on March 28, and the District's recommendation was submitted to Colorado Department of Public Health and Environment. No response has been received yet from the state. Tetra Tech recently indicated that CDPHE has required other districts to add phosphate to their water as a means to achieve less corrosion and lower lead levels in samples.

The Board discussed its continuing desire to not add phosphate if possible. Staff will inform the Board when a response is received from CDPHE.

### **Fire Hydrant Maintenance**

Superintendent Mentch requested permission to continue painting fire hydrants this summer. There are about 230 remaining after last summer's work. Director Mathews affirmed the value of the project. President Helmer agreed and asked how many could be painted this summer. Mr. Mentch indicated they could accomplish about half this year and finish the remaining hydrants the following summer. President Helmer authorized Mr. Mentch to proceed with the project and coordinate with Administrator Price.

### **Base 3 Water Treatment Facility**

Mr. Price shared an update with the Board regarding the Base 3 project. With a signed Letter of Intent to acquire a parcel from Vail Resorts, the District is working to proceed with the new facility. A Purchase Sale Agreement was received from VR on May 5<sup>th</sup>, and Dan Teodoru stated that he is reviewing the agreement. Negotiations will continue with the goal of presenting the Board with a final acceptable agreement in the next two months.

A new draft project plan was circulated by Mr. Price, and he stated that his meetings with Tetra Tech confirmed that they anticipate three months for each of the phases of design (30%, 60%, 90%, and 100%). Thus, their timeline is one year to having final construction drawings. Components of the project were linked in the project planning software to include dependencies. This detailed estimated timeline shows the Base 3 project finishing in Q2 of 2020.

The conceptual design from Tetra Tech was completed in 2016. Their engineer stated that Summit County has been experiencing cost of construction inflation of approximately 12% annually, and that we should adjust our cost estimates from his original accordingly. The revised estimated cost is \$9,015,149.

Director May stated that construction around Summit County has greatly intensified in the past year or two, which has led to decreased availability of experienced workers in the trades. He stated construction costs, and even equipment costs, were probably increasing 10-14% per year. He advised the Board to be patient on the forecast for any of our infrastructure work until we have at least a 30% design.

The Board directed Mr. Price to proceed with a bid process to select an outside Construction Manager for the Base 3 project; however, no agreement will be signed until the Purchase Sale Agreement is finalized.

## **Base 2 Storage Tank**

Mr. Price provided an update regarding the Base 2 Storage Tank project. This storage requires property from a land exchange between the USFS and Summit County, and Adam Poe of the Western Land Group has communicated to the District that significant progress has been made. Mr. Poe's estimated timeline would allow the District to acquire a parcel for the storage tank in the fall of 2020. This would put the project approximately three years ahead of the previous schedule.

The Board discussed the potential need for additional capital reserves to build the tank; however, the District will have adequate capital to allow the property to be purchased as soon as available. The construction of the tank and related costs could be postponed until the District's capital reserves are sufficient to pay for the project.

Mr. Price reviewed his discussions with Tetra Tech and Superintendent Mentch. These discussions along with the Base 3 project planning led to revised cost forecasting for the Base 2 tank. Current estimates are approximately \$1,100,000 in 2020 and \$4,000,000 in 2021 based on Mr. Poe's timeline for property acquisition. The availability of District capital reserves may require rescheduling the timing of construction for the Base 2 tank to begin on or later than the previously forecast 2023 to 2025 timeframe.

As with the Base 3 project, better estimates for project costs will be available after design work and contractor bids are received. President Helmer reminded the Board that the future infrastructure projects have been in consideration for years, and last year the Board requested staff to schedule a public workshop for August 2018 which is intended to facilitate public input on any potential fee increases.

Treasurer Graham stated that we have plenty of money to go full speed ahead on the Base 3 facility and to buy the land for Base 2. He believes raising normal water fees would not be sufficient to cover the Administrator's new cost forecasts in the accelerated timeframe which show we would need an additional \$1.5 million in 2021.

President Helmer asked the Board if it would consider borrowing the money and from whom. Dan Teodoru stated that there are effective ways to address getting the funds. For example, Lease Purchase Financing is a good fit for such capital infrastructure projects.

Director May advised the Board to wait and see what the next six months of design and bids show us for the need to raise money. Director Mathews agreed and asked Superintendent Mentch if there are any reasons to push the Base 2 project up sooner. Mr. Mentch stated that we have no urgency for the storage capacity at this time, but it is very important to the District's infrastructure. The original schedule of 2024-2025 should be fine.

## **Building Permit Referrals**

Mr. Price shared a request from Summit County Building Department regarding the need to refer all permits to the District. Scott Hoffman, the Chief Building Official, questioned the need for sign-offs on permits for remodels not affecting EQRs. Examples of such permits are deck additions and siding replacement.

After discussion, the Board decided to continue the current policy of having all permits referred to the District for sign-off.

## **PRODUCTION AND UNACCOUNTED FOR WATER**

Superintendent Mentch provided data and graphs for water production from February 2018 through April 2018. The significant increase of production for April 2018 versus April 2017 is attributable to the water being supplied to the East Dillon Water District. The 12 million gallons produced is about 36% higher than last year's 9 million gallons.

There was a water loss for the first quarter of approximately 13%. Mr. Mentch stated that he believes we have a possible leak. The District contracts with Utility Technical Services to provide leak detection services, and UTS will be conducting a thorough survey of the District's distribution system the week of May 14<sup>th</sup>.

## **ACCEPTANCE OF FIRST QUARTER FINANCIALS**

Mr. Price reviewed his memo to the Board regarding acceptance of first quarter 2018 financials. He emphasized that Operating Net Income is \$109,235 which is 21% above budget. The Total Change in Net Position (Net Income) was \$224,225, and that amount is a huge variance from budget because we did not start the Base 3 project as reflected in the 2018 budget. He stated that he expects the actual capital expenses to be about \$2.8 million below budget this year. Tap Fees were 54% higher than budget, and development projects in Keystone are increasing significantly this year. Mr. Price stated that he expects Tap Fees to continue to rise and greatly exceed budget in the next two quarters.

Treasurer Graham stated that the District's financials are excellent. He pointed out that Water Fees are up almost 3.6% year over year, but they are lower than the straight-line budget because we don't adjust the budget for seasonality of demand. Operating expenses are in line with the budget with a few caveats. Maintenance costs don't reflect seasonality, and we expect some major repair expenses this summer such as the pot-holing near the Mountain House. Also, the maintenance account incurred the unanticipated costs for the corrosion control study at almost \$13,000 that was not in the budget. Interest income had been budgeted for the year at \$57,678. He noted that the District has made almost half of that already in the first three months because rates are rising and our expenditures for Base 3 have been delayed.

Director Mathews made a motion to accept the first quarter financial reports as presented. It was seconded by Secretary Bloom. The motion passed unanimously.

## **ESTABLISH DATE OF BOARD DINNER**

The Board discussed the best dates for its regular spring/summer dinner at Keystone Ranch. It was determined that the week of June 14<sup>th</sup> or 21<sup>st</sup> would be preferred. Thursday night would be best. Staff

was directed to find the best fit on a night when Keystone Ranch does not have a wedding or other large event.

**ADJOURNMENT**

Director May made a motion to adjourn. It was seconded by Secretary Bloom. The motion passed unanimously.

President Helmer adjourned the meeting at 5:41 p.m.

Respectfully Submitted,

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Scott Price  
Recording Secretary  
May 18, 2018

Approved by the Board of Directors,

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Char Bloom,  
Secretary  
August 14, 2018