

DONALA WATER AND SANITATION DISTRICT
BOARD OF DIRECTORS
MEETING MINUTES
March 26, 2026

The Board of Directors of the Donala Water and Sanitation District met in a workshop session at the District's water treatment facility, 15850 Holbein Drive, El Paso County, Colorado on March 16, 2026 at 10:00 A.M.

Directors Present: Wayne Vanderschuere
William George
Kevin Deardorff
Kenneth Judd
Scott McCulloch

Consultants Present: Brett Gracely
Roger Sams

President Vanderschuere called the meeting to order at 10:07 A.M.

Approval of Agenda:

- No changes to the agenda.

Presentation and Board Discussion:

• **Loop Water Authority (LWA) Participation**

- Prior to beginning any presentations, Judd asked what our timeline is to decide on any of these upcoming projects. Vanderschuere stated that based on the information presented in previous board meetings, there is no formal deadline, the cost just increases the longer we wait. The challenge comes with the down payment that would be required to join the NMCI and needing to go out to vote to increase our debt limit. Vanderschuere estimates we would have to increase the debt limit by about \$10-12 million. This election will likely take place in May 2027. Judd stated that he is asking because he is concerned about the timeline in which payments will be made. Vanderschuere stated that it's a good question and once the agenda item for NMCI comes up later in the meeting, they can look more into it.
- Gracely stated that there are a few minor changes to the documents handed out that he will point out throughout the presentation.
- Gracely began his presentation by reviewing the District's current water demand. He was able to review the most recent LIRF study and could confirm that there is a downward trend with water sales over the last several years. He stated that water sustainability concerns are the reason we are looking into alternative options for water supply. Additionally, some of our wells are difficult to access for maintenance which leads to constraints. There are also constraints on storage and conveyance as we cannot currently recover our return flows or get our Laughlin water conveyed. Finally, there is the cost of our convey, treat and deliver from CSU.
 - McCulloch wanted to know if the return flows reflect what we would get if we were to operate the wastewater treatment plant solely. Gracely confirmed it is just Donala's data and does not include the flows of the other partner entities. Gracely reviewed our current leases with McCullough regarding our return flows.
- There are two primary reasons why the LWA would be beneficial for Donala: recovery of return flows and access to transferred agricultural water rights purchases (Laughlin).
- Gracely provided some historical context regarding our water rights with AGRA, Willow Creek and Pueblo Reservoir, as well as our convey, treat and deliver agreement with Colorado Springs Utilities (CSU) which has not yet been resolved.

- Sams asked if our agreement with El Paso County to provide water to the park is a multi-year agreement with an expiration date? Gracely stated that he is aware of a long-term agreement, but he hasn't looked into it yet but plans on collaborating with District staff and legal team next week to figure out what that is about.
 - Gracely stated we need to file a decree showing Laughlin water rights will have beneficial use in our District service area, not where it was originally decreed to be used.
- Comprehensive groundwater and well analyses have been completed by LRE/Spheros. They provided a summary of the recommended O&M expenditures, recommended well replacement schedules and relative production rates of the wells. This is to give an idea of what our current ability to produce water is and how much it will take to maintain that in the future. This should help guide the decision on which of the four alternative options may be the most beneficial.
- Gracely stated that regarding storage, it may be beneficial to have storage under the Stonewall Spring System in Excelsior Ditch. Triview owns this area. Vanderschuere pointed out that by doing this, we still have to have a way to get it to Pueblo.
- Sams mentioned that the agreement we have with El Paso County that was brought up earlier may affect our return flows. More research will have to be completed to determine if this is true and if so, how much.
- Gracely stated that the primary goal of all the upcoming options would be to reduce reliance on Denver Basin Groundwater with some entities wanting to move completely away from groundwater.
 - Vanderschuere pointed out that the LWA pipeline is a single source and if something were to happen to it, and we have no groundwater back up, then the tank storage is all we have until the LWA pipeline is fixed. He believes having redundancy with groundwater is important.
- Gracely reviewed the benefits Donala would see from joining LWA. Donala's subscription rate with LWA is for 500 acre feet of the total system size, with some flexibility to increase or decrease likely an option. Provides the ability to capture all reasonable return flows from the groundwater system, Willow Creek water and Laughlin water right. It provides storage in the Calhan system and can deliver to the highest point in our distribution system. This could likely save funds from the booster pumps not having to boost the water to the upper part of the district. It provides a means of delivering Willow Creek Water without a convey, treat and deliver agreement if an exchange from Pueblo reservoir is feasible. This exchange was previously discussed in the November board meeting, but Gracely provided a quick overview. He stated this could be very beneficial, but it depends on the hydrogeological conditions and capacity at the time.
 - Judd asked how likely that exchange was to happen. Gracely said it isn't a matter of if we can, as that just requires a filing, but the true question is how much we would receive and if it would be beneficial enough for us. It would depend on the circumstances at the time. Predictive analytics can be used to help try and determine when exchanges may be able to happen. Judd's concern is losing the water in Pueblo; therefore, these exchanges can help to prevent some of this.
 - Gracely pointed out that our contract with CSU does not guarantee we won't be cutoff if they have an infrastructure issue or cannot provide the water due to their own demand.
- Vanderschuere stated that there must be federal grant funds available that could be utilized. Gracely stated that he does believe so but doesn't think the LWA members have taken advantage of looking into that but if funds are available, it could help reduce our required debt increase.
- Design for LWA is ongoing and a new company won the bid for the design over 30%.
- There are also price comparisons being made to determine if it would be more beneficial to purchase the Sundance Pipeline or build a new one. At this time, the cost difference is not meaningful enough to make a difference.
- Gracely reviewed the action steps that would need to be taken if the District opted to continue with the LWA, but the primary goal would be to figure out how to fund the project.
 - Sams asked if the LWA design over 30% is a 2026 project, Gracely stated it is ongoing as we speak. Sams asked if LWA has funds to cover the upfront costs. Gracely said he did not know that answer, but Vanderschuere agreed it would be good to get that answer.

- **North Monument Creek Interceptor (NMCI) Participation**

- Gracely provided some background on how and why CSU first began the NMCI and that an invitation was extended to the northern districts to join the NMCI and help split the costs. He stated that at this time, though they haven't signed, Triview Metro and Forest Lakes Metro are planning to join the NMCI.
- Gracely discussed our return flows if we were to join NMCI. Previously, Donala asked for return flows to be returned to Monument Creek at the northern interceptor point, but the tradeoff would be too risky for CSU and make their ability to convey water from Pueblo too challenging. New language has been proposed that our return flows are still returned to Monument Creek, but from the discharge point of the CSU wastewater treatment plant located in Colorado Springs, south of the District. This would be the case even if we were to join the LWA. Gracely reiterated that CSU has invited us many times to join and that there is no expiry date on when we could choose to join.
 - Judd asked some clarification questions about how the return flows from NMCI are dependent on the Loop. Gracely clarified that they are not. Donala can choose to participate in LWA and not NMCI or participate in NMCI and not LWA and neither affects the other when it comes to return flows.
- Gracely stated that loan terms would likely be for 30 years, so even though the agreement with CSU is 25 years, they updated the charts to reflect a 30-year plan to account for the loan term.
- Gracely stated that whether we choose to participate in LWA or NMCI, an increase to our debt limit would be inevitable.
- Judd clarified the cost to join NMCI. Sams stated it would be about \$11-12 million total, to be paid over 2-3 years. The initial down payment is \$2.5-3 million. Because of all the construction up front, the cost would be greater in the beginning. Vanderschuere feels that if we were to join, we would not have to pay this year, but we would have to next year, which we cannot afford to do without depleting reserves, which the Board does not prefer to do.
 - Judd asked what our current limit is? It is currently \$20 million, but Vanderschuere wants to confirm how much of that is already financed. Currently, the board believes it to be about \$18 million. Vanderschuere posed the question of how much we would ask the voters to increase. Deardorff stated we need to have strategic contingencies in the event the voters deny the debt limit increase.
- Gracely stated that all the tables he will present assume that Triview and Forest Lakes are no longer a part of the Upper Monument Creek Wastewater Treatment Plant and that Donala is operating the plant solely.
- There are 4 alternative options presented. Each option works so that the Board can choose to operate the wastewater plant solely or go with NMCI. Aside from cost constraints, none of the options are co-dependent on choosing one of the two wastewater options specifically. Gracely also provided dates on when each option could be viably available.
 - Gracely provided details about the costs, benefits and disadvantages for each option.
 - The board had lengthy discussions regarding the different options and costs and made sure they were clear on the presentation details.
 - Vanderschuere asked why the final cost of each option has discrepancies between Sams and Gracely's presentations regarding NMCI versus solely operating the wastewater plant. Sams and Gracely stated that there may be decommissioning costs involved in Sams analytics that Gracely's may not. They will check and update as necessary.
- The board agreed that without knowing about which way the voters will vote, it's hard to make a decision. We have to know if we can get any of the money before we know if these will even be options.
- The board discussed what they feel would have to be the amount we ask to increase by. The board talked about potentially asking for \$55-60 million. Bill asked how that will impact the rate payers and how we will communicate that to the public as it must be transparent and clear, otherwise we have little chance of getting the limit increased. Deardorff commented that if the board were to choose definitively to not pursue one of the current options, any funds that had been allocated towards that project would no longer be and could be a cost savings.
 - The board agrees that trying to make the November election is too costly and doesn't allow us enough time to prepare. Judd asked if we would spend funds on the Loop between now and May 2027, the board stated yes. Judd asked how much because he recalls possibly needing to put a downpayment (earnest money) on the Sundance Pipeline within 90 days. The board needs clarification on when the

earnest money is due, because if Judd is correct, it may be due within about 60 days unless a decision is made beforehand to not pursue LWA. Deardorff believes that should be the deadline for making a decision before we begin to pay for the pipeline and potentially not be able to get that money back if we choose to back out at a later time.

- Gracely pulled up a contract stating that the earnest money is for the option to purchase the Sundance Pipeline, but not an obligation. Judd asked if it is refundable. Gracely could not find that information in the contract. Vanderschuere stated that if the pipeline fails the inspection, the earnest money would be returned. Gracely and Vanderschuere both stated that there may be issues with the pipeline that can be repaired, which would likely reduce the purchase cost. Judd is concerned that we are already trying to finance an incredible amount of debt, but if the pipeline fails inspection and we must build our own, we will now owe an additional \$10 million.
- Judd clarified that for now we can hold off on the NMCI until we know if the voter approval for debt increase will come through, but we will still have ongoing Loop commitments.
 - Deardorff asked what those commitments are. Gracely reviewed a slide from the presentation showing things such as permits, design, etc. that we share the costs of with the other participating entities.
- Judd stated that our rates would need to increase to pay for the debt, assuming it's approved. Vanderschuere stated that our rate consultants our working with Hawker to determine the best way to increase the rates to have the least amount of impact on the customers.
- Deardorff asked about direct potable reuse and if that option would require another plant. Gracely confirmed that whether it is direct or indirect potable reuse, another plant would be required and there would be some constraints due to the federal land surrounding the wastewater treatment plant. Vanderschuere asked if we would have enough space at our current maintenance yard to put a plant and / or storage tank there. Gracely stated he isn't sure as no site design has been done, but there could be options. Vanderschuere stated that if we were to know we need more land to complete that, we could act on that sooner than later.

- **Declining Water Sales**

- Vanderschuere stated that he reviewed the LIRF analyses provided, and he did not see a significant decrease in irrigated acreage since the 2010s. Therefore, it appears that our theory of more xeriscaping leading to lower water usage may not be true. Deardorff stated that the loss of the golf course led to a loss of 92 acres being watered on a regular basis.
 - Gracely stated that our LIRF decrees may not be as accurate only because it does not distinguish between actual land that can be irrigated (grass, trees, shrubs) and non-irrigated landscaping (mulch, turf, etc.). The analysis only removes items such as buildings and sidewalks, so this could skew the amount of irrigation that appears to be happening in the District and what is actually taking place.
 - Deardorff also mentioned that the community is aging and since kids have moved out and no new young people are moving in, that reduces the water use. Vanderschuere also mentioned that a number of residents are snowbirds, which reduces the water usage as well.
 - Judd stated that understanding the reason why the sales are declining is important, but we likely cannot change any of it. We need to figure out how to make up for the funds that are being lost because of the decline in usage. He believes that cutting expenses and increasing revenue through rates and mill levies is the best way to do that, as hard as it may be.
 - McCullough asked what our demand and redundancy levels are because we are currently preparing to convey a higher amount of water, however the water usage is going down so we may not actually need to build for that higher amount of demand.
 - Vanderschuere advised that Raftelis perform a rate analysis to see how rates would be impacted by these different demand amounts.
- Vanderschuere stated that many small and medium sized Districts struggle to maintain operations due to the large scale of costs required for maintenance and the lack of revenue because of the small number of

constituents. He stated that many consolidate or merge together to survive and it is something Donala should just keep in mind as we continue. The board agreed that it's worth keeping an open mind.

- The board agreed that they should work with office staff to review current expenditures for potential cost-saving opportunities.
- Judd believes that we need to create a better partnership with Triview Metro. Vanderschuere stated that he has attempted to in the recent past and they reached out via their legal team and asked us to stop.
- George stated that knowing what upcoming LWA costs will be will help us to make a better decision regarding all our financials. He asked how much we should increase the debt by. Judd stated that it's an arbitrary number, but McCulloch believes that if we can itemize roughly how much each capital project / expense is, we should be able to quantify it so that we know how much to ask for and can justify it to the public.
 - Gracely believes that looking at the overall, long-term view is important, but he thinks it would be helpful to see what the next five actual years look like so that the Board can see what both the short term and long term could look like. Some costs are not upfront while others are, so it can create some convolutedness.
 - Vanderschuere mentioned that Tall Grass may still be a viable financial partner for the LWA, which may help to alleviate initial rate increases. Gracely iterated that Tall Grass is very well capitalized so their involvement could change the financial landscape of LWA.
- Judd asked which of the four options presented would be the most expensive. Gracely stated option 2b, which is Donala being involved in NMCI and LWA. He believes the cost to cover this option would be the amount we should go to the voters for. Vanderschuere stated that the problem is that we don't know how much we will need to finance the LWA unless we just get enough to get us through the first few years.
 - Deardorff asked if we could realistically do NMCI and LWA as he thought we were only doing one or the other. McCulloch stated that we will likely only do one, this is just a cost analysis to help give some perspective and cost margin.
 - Gracely corrected himself saying that the most expensive option is Donala doing NMCI and staying on groundwater. However, if we were to include NMCI, then it would become even more expensive. Gracely stated that groundwater is not sustainable from an economic or hydrogeological standpoint which is why we are looking at other alternatives.
 - The board members made some calculations and determined that in an effort to only have to ask one time for a debt limit increase, we should look to ask for a \$75 million increase. This would be \$75 million on top of our current limit of \$20 million. Additionally, this is not necessarily how much we will use but rather just how much we have to work with.
 - George asked how much we have in reserves. Vanderschuere stated it's around \$9 million, which is our legal obligation.
 - Judd summarized that Donala is going to ask the voters for a \$75 million debt increase, commission a cost reduction study, analyze how this will impact rate increases over the next 1-2 years, no current action being taken on NMCI and continue to fund the LWA until a final decision about participation is made.
 - Deardorff suggested we do a town hall in the early autumn of this year and then another one in Spring 2027 before the election.

- **Other Business**

- Vanderschuere reminded everyone that they are to meet at 7:45am tomorrow for interviews.

Meeting adjourned at 3:16 P.M.

These minutes are respectfully submitted for record by Ashley Uhrin on May 13, 2026.