

DONALA WATER AND SANITATION DISTRICT
BOARD OF DIRECTORS
MEETING MINUTES
October 20, 2016

The Board of Directors of the Donala Water and Sanitation District met in regular session at the District office, 15850 Holbein, Dr., El Paso County, Colorado on October 20, 2016 at 1:30 PM.

DIRECTORS PRESENT:

David Powell
Ken Judd
Bob Denny
Ed Houle
Dennis Snyder

ABSENT:

STAFF PRESENT:

Kip Petersen
Betsy Bray
Sharon Samek

GUESTS

Jim Kendrick
Phil Book
Michael Lang

President Powell officially called the meeting to order at 1:30 pm. He noted for the record that Powell, Judd, Denny, Houle and Snyder are all present. Powell asked the attendees to please rise for the Pledge of Allegiance.

PUBLIC COMMENT NON-AGENDA ITEMS:

Powell then asked if there was any public comment; Book asked the Board why Property Tax Dollars are being used to pay for Capital Growth. Board then explained to that the general concept of the Board is to increase Donala's revenue so that water sales and sewer sales will equal expenses incurred during the year. Then tax

revenue will be used to fund Long Range Capital Projects. Book felt that the tax revenue was not necessary. Board discussed the plan further. There was no other public comment.

REVIEW OF MINUTES:

The Board then reviewed the Board Minutes. Minutes were accepted as presented. The Board then reviewed the Board Minutes of the Special Meeting on October 5, 2016. These Minutes were also accepted as presented.

REVIEW OF FINANCIAL STATEMENTS AND CHECK SUMMARIES:

Petersen presented the September Executive Summary and Check Registers for both Donala and the Waste Treatment Plant. Petersen stated we should be at about 25% remaining. Petersen noted that Donala is actually ahead on water sales, primarily because of the warm dry Fall. Both Revenue and Expenses show Donala has about 30% remaining, therefore, we are right on target for this time of the year. Petersen noted that under Repair and Maintenance, this report doesn't show expenses for Well 4A. This expense will likely show up in the November Executive Summary. Houle asked why utilities are down so much? Petersen explained that Donala hasn't used as much electricity because we are using the water through Willow Creek and therefore are not pumping water as much as we usually do. Board then asked about Leonard Rice and why the expenses are so high in this category. The reason for this is because Leonard Rice has been tasked with working the modelling needed for the BUREC. Petersen is hopeful that this modelling will be very beneficial in helping to speed the process needed for a long term contract. Denny asked about the difference between Operating Interest and Investment Interest. Bray explained that Operating Interest is the interest paid to us by Colotrust primarily and a few accounts in Peoples for our savings accounts and Property Tax accounts. The Investment Interest is the interest paid to Donala by Chandler Investments and a small portion by Colorado State Bank. Donala does spend more time reviewing the interest on our investments with Chandler Investments as there are decisions that can be made to enhance the return on investment, while the savings account and property tax account interest is strictly based on interest paid by Colotrust and Colorado State Bank. We have no control over that interest. Denny then asked if the investment interest is based on the interest for Donala's General fund interest as well as the interest for the Bond fund Project and the Debt Service Project. Bray then answered that this is not true. Bray stated that the investment interest is only for the General Fund Account. Interest for the Bond Project actually is put back into the Bond Project so that Donala can use more money from that project. Powell asked about check number #20667 to Payroll One. This check is to pay them for processing our payroll. Snyder then asked about check #20695 made out to Comcast. The reason for this check is to pay for the backup internet, phone service and tv service. The Board then reviewed the Executive Summary for the Waste Treatment Plant. Again, Petersen stated that the Waste Plant should be at about 25% remaining. Revenue is at 44% remaining and Expenses are at 40% remaining. It is actually a good thing that revenue is low; as the three entities (primarily Donala and Triview) actually pay the Waste Treatment Plant for any expenses incurred. So if expenses are low, the three entities don't have to pay as much. Petersen noted a new tractor for the Waste Plant in the month of October. Also, the Board asked about check #13538 for Whisler Bearing. Petersen noted that this is a repair on the blowers. Petersen then directed the Board to the Chandler reports. This is the month to give the Board the full reports. After review of the reports, the Board was satisfied with the work done by Chandler. Denny then asked about the outstanding money received from the Bond Issuance. Denny wondered when all of that money would be used. Petersen noted that about \$1.4 million would be used this year with about \$2.8 million to be used next year. Board will then need to decide on whether or not to build the additional water tank. Reuse or Raw Water tank behind the R Hull Plant. Financials were then accepted as presented.

Petersen noted that he had signed the Gray Family Trust Agreement with one proposed change. The \$3.8 million dollar price was accepted. The amendment is that sellers will be limited to estimated damages, essentially the \$50,000 we have put into escrow for due diligence. If the Board agrees to the proposed change,

Petersen would like a motion to approve to let Powell initial the change in the agreement. Houle moved to approve, Judd second, all "aye".

Secondly, Petersen mentioned the water main break on Palm Springs Drive. Petersen noted that the experienced crew of Hull, Parker, Vialpando and Vialpando all did a fabulous job. This leak was a breach break caused mostly by age. This pipe was probably in the ground for close to 40 years. The break was finished within 4 hours. Judd asked how much water was lost? Petersen doesn't know yet.

Petersen then noted the Desert Inn Way possible leak- for years Donala has maintained that this is not a leak but is a meandering underground spring. Petersen spoke with El Paso County last week and told them that Donala has tested this water several times and Donala does not feel that this is a possible leak. El Paso county needs to French drain the area and then Donala will repair any pipework that needs to be done.

MANAGER'S REPORT:

Petersen noted that he had provided the draft of the 2017 Budget electronically as state statues require. He provided a detailed review of the budget in this Board Packet. He noted that he will provide the Cost of Service analysis to the Board prior to the December 8th vote on the 2017 budget. He feels that the Cost of Service will provide information helpful to the Board in making their final decisions on the Budget, as well as for determining the costs associated with Academy Water. Houle then asked when Academy Water will come online? Petersen feels it will be late in 2017. He feels that parts of Donala's infrastructure is aging and will need to be addressed in 2017. Petersen also noted that he feels Forest Lakes will reach build out in 5 years at the current rate with which they are building. Petersen noted that he is looking at a 4% increase in rates across all tiers for 2017. Judd asked if the Waste Plant budget was including all compliance costs and Petersen replied that it did. Houle asked if Donala is at the point yet where rates will pay for expenses. Petersen noted that Donala is about \$200,000 behind at this point, but Donala is still working toward that goal. Snyder then asked if Donala will be able to reach the 20% expected to receive in 2016 in revenue. Petersen feels that Donala will be able to reach that goal. Petersen noted that part of the revenue for 2017 (\$50,000) will come from AGUA, as Petersen will sell Laughlin Ditch water to AGUA if the water rights sale goes through but Donala is not able to use it right away through CSU. If Donala is not able to reach an agreement with CSU before the purchase of the water rights, Donala will not purchase those rights so there will be no large expense to Donala and no possibility of the extra \$50,000 revenue. Houle noted that in adding up the Infrastructure Bond Money, he came up with the amount of \$2,471,000; Petersen said he would look at that figure again. Denny asked that Petersen remove the name associated with a new vehicle as there could be a perception that the vehicle will be given to one particular employee. Duly noted. Denny then asked if Petersen could look around to other districts to see if there are any other districts that essentially buy back their own water, and if so, what are they charged. As Judd noted, if Donala could get out from under the onerous surcharge with CSU, there would be a substantial savings. Petersen noted that the challenge to Donala is that after the few remaining taps for Donala are received, Donala will receive no more revenue except for Property tax and water and sewer rates. Board commended Petersen on a good job and expressed that they will review budget further.

Petersen directed the Board to review the Waste Water Treatment Plant budget. He noted higher costs this year, but also noted that this is due to increases by most of the Plant's vendors. Petersen had developed this budget in September and as the Board had seen it previously, there were few comments. Snyder noted that the Waste Plant budget numbers are lower in revenue; this is primarily due to the fact that the Waste Treatment plant is "paid back" by any expenditures.

Judd then asked if Petersen will be able to have numbers for Academy Water and the Cost of Service numbers. Petersen stated that he would be able to have those numbers.

Petersen then noted that the Latrobe Water line project is proceeding on schedule and should be completed by mid-November. Petersen is very pleased with the work done by GMS, Swerdfeger and Global Underground and stated that there were a few hiccups but that they were resolved quickly and fairly simply.

Petersen then provided the Pikes Peak Salary Survey for the Board to Review. He still feels that this is a worthwhile exercise as it gives the Board and all of the other participants a chance to see how each entity is providing for their employees.

Petersen then mentioned the Board Work session slated for November 17th at 9 AM. This work session will focus on the long term goals and problems facing Donala. Petersen has invited both Fendels and Sams. Petersen noted that with the potential Laughlin Ditch rights of 324 AF, Donala would have reached the goal of having approximately 80% of the renewable water in place. Judd noted only a 200 AF deficit.

Petersen stated that he had forwarded to Gary Barber, a signed purchase agreement for the Gray Family Trust to consider. He anticipates a reply in a few weeks. The Board asked when the due diligence period begins; Petersen said it will begin November 1, 2016. He noted a scheduled meeting with CSU on November 2, 2016 to discuss Donala's current agreement and the needed extension by December 31st.

Petersen said that the Pikes Peak Regional Water Authority will begin holding meetings on November 2, 2016 downtown Colorado Springs. He also stated that the next meeting of the Ark Roundtable meeting will be held on November 9, 2016. Houle will attend with Petersen.

WILLOW CREEK RANCH:

Petersen noted that at the end of August, Donala was no longer legally able to withdraw water from the ranch. With what Donala has in storage, Donala will be able to use our water for the winter return flows, thus providing a substantial savings to Donala. He also stated that Donala has replied back to Pueblo County's request for additional information along with a check for \$25,000 to complete their work. They are sending Wayne Lorenz of Wright Water to review Donala's FONSI request. Petersen is hoping to meet with Mr. Lorenz regarding this matter.

The BUREC continues to work on their modelling project and Petersen hopes for public comment in the next few months with a possible contract in March 2017.

Petersen noted that he and Parker plan to attend the ranch soon. He is concerned with possible trespassers. He and Parker plan to take an extra game camera for more information. He noted that he has spoken with Theresa Roccamora and Rocky is doing ok. Petersen reiterated to Theresa that if they need anything, Donala will be glad to help. He will continue to keep up with Theresa.

STATUS OF OPERATIONS/PROJECTS:

Petersen noted his pleasure with the stucco project at the R Hull plant, he suggested that the Board go by and take a look at the plant as it looks very good. The Waste water plant seems to be doing well as well. He showed the Board the flyer that Triview intends to provide to their customers reminding them of the FOG at Thanksgiving. The same article will be placed in the Donala November newsletter.

He stated that Yocam is working on the Access Road and hopes to be finished with it soon. El Paso County will not do their work until next year.

DEVELOPMENT UPDATES:

Regarding development, Petersen stated that he has heard that there will be county public hearings in December, 2016 on the golf course development.

Storage Unit meeting will occur October 21, 2016 in anticipation of a letter of commitment to be given to County Planning Commission.

PUBLIC COMMENT:

There was no public comment.

There being no further business of the board, it was moved by Judd, second by Denny, all “aye” to adjourn the meeting at 3:03 pm. Motion carried.

**THESE MINUTES ARE RESPECTFULLY SUBMITTED FOR RECORD BY BETSY BRAY
ON OCTOBER 21, 2016.**