

## RECORD OF PROCEEDINGS

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### MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE IDLEDALE WATER & SANITATION DISTRICT HELD April 14, 2020

A Special Meeting of the Board of Directors of the Idledale Water & Sanitation District (referred to hereafter as "Board") was held on Tuesday, the 14th day of April, 2020, at 7:00 p.m. Due to the presence of the Coronavirus the meeting was held by teleconference. The meeting was open to the public.

#### ATTENDANCE

##### Directors In Attendance Were:

Rose Zaccaro  
Mike Richardson  
Todd Vandegrift  
Hugh Gardner  
Jim Jordan

##### Also In Attendance Were:

AJ Beckman, District Manager  
Richard Pintor Jr., District Operator In Responsible Charge (ORC)  
Bob Orsatti, District Engineer  
Deborah Sedgley, District Accountant  
Tom Dea, Colorado Water Well Corporation  
John Rieser, Idledale Resident

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#### ADMINISTRATIVE

**Disclosures of Potential Conflicts of Interest:** Mr. Beckman advised the Board that, pursuant to Colorado law, certain disclosures might be required prior to taking official action at the meeting. The Board reviewed the Agenda for the meeting, following which Directors Zaccaro, Richardson, Vandegrift, Gardner, and Jordan confirmed that they have no conflicts of interest in connection with any of the matters listed on the Agenda.

**Agenda:** Mr. Beckman distributed for the Board's review and approval, a proposed Agenda for the District's Special Meeting.

Following discussion, upon motion duly made by Director Gardner, seconded by Director Richardson and, upon vote, unanimously carried, the Agenda was approved as amended.

**Minutes:** The Board reviewed the Minutes of the February 26, 2020 Special Meeting, and the March 23, 2020 Special Meeting.

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Following discussion, upon motion duly made by Director Gardner, seconded by Director Richardson and, upon vote, unanimously carried, minutes of the February 26, 2020 Special Meeting, and the March 23, 2020 Special Meeting were approved, as presented.

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### **FINANCIAL MATTERS**

**Accounts Payable:** The Board considered ratifying approval of the payment of accounts payable for the period ending January 31, 2020 in the amount of \$20,283.25.

Following review and discussion, upon motion duly made by Director Zaccaro, seconded by Director Gardner and, upon vote, unanimously carried, the Board ratified approval of the payment of accounts payable as presented.

The Board then considered ratifying approval of the payment of accounts payable for the period ending February 29, 2020 in the amount of \$35,652.09.

Following review and discussion, upon motion duly made by Director Zaccaro, seconded by Director Gardner and, upon vote, unanimously carried, the Board ratified approval of the payment of accounts payable as presented.

The Board then considered ratifying approval of the payment of accounts payable for the period ending March 31, 2020 in the amount of \$15,817.73.

Following review and discussion, upon motion duly made by Director Zaccaro, seconded by Director Gardner and, upon vote, unanimously carried, the Board ratified approval of the payment of accounts payable as presented.

The Board then considered approval of the payment of accounts payable for the period ending April 14, 2020 in the amount of \$37,728.22.

Following review and discussion, upon motion duly made by Director Zaccaro, seconded by Director Gardner and, upon vote, unanimously carried, the Board approved the payment of accounts payable as presented.

**Financial Statements:** Ms. Sedgley reviewed with the Board the unaudited financial statements of the District for the period ending December 31, 2019. Ms. Sedgley discussed the Capital Projects Fund, explaining that the balance of \$251,000 is committed for capital improvements. She further explained that the cost of purchasing delivered water has caused a deficit in fund balance which will need to be corrected with tax revenues in 2020.

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Following review and discussion, upon motion duly made by Director Zaccaro, seconded by Director Gardner and, upon vote, unanimously carried, the Board accepted the unaudited financial statements as presented.

Discussion ensued regarding the need to have timely and accurate accounting going forward, especially with the expected capital improvements and grant funding process in 2020. Ms. Sedgley explained that she does not have access to the District's accounting software and much of the work being done by Mr. Richardson has to be redone by Ms. Sedgley. She noted that if she were to have better control of the process, she would be able to assign much of the work to an associated billing at a lower rate. Mr. Beckman recommended that the Board assign all accounting and accounts payable duties to Ms. Sedgley. Mr. Richardson noted that he will provide Ms. Sedgley access to the District's QuickBooks software so she can have control of the bookkeeping and accounting functions.

Following review and discussion, upon motion duly made by Director Zaccaro, seconded by Director Richardson and, upon vote, unanimously carried, the Board authorized all accounting functions to be transitioned to Clifton Larsen Allen and further authorized the implementation of Bill.com for invoice approvals and facilitation of the accounts payable process.

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### **OPERATIONS MATTERS**

**Manager's Report:** Mr. Beckman reviewed his report with the Board and discussed the need to take all reasonable measures to mitigate the need to purchase delivered water. A copy of the Manager's Report is attached hereto and incorporated herein by this reference.

**Operations Report:** Richard Pintor Jr. reported that he and Richard Pintor Sr. have been working on the installation of a service line shut-off and meter for the property found to have a leaking service line. He expects to complete the work by the end of April.

**GWUDI Classification by CDPHE:** Mr. Orsatti addressed the Board regarding the recent letter from the Colorado Department of Public Health and Environment ("CDPHE") reclassifying the water from wells 1A and 1B as Groundwater Under Direct Influence of *surface water* (GWUDI). He explained that this reclassification will require additional monitoring and filtration. He explained that a meeting with the CDPHE and District representative will be necessary to clarify the CDPHE's expectations and the District's options. He estimates the cost of the water treatment improvements to be approximately \$50,000 and noted that the work may be able to be self-performed, to a large degree by Richard Pintor Jr.

Director Gardner noted that design grants for this kind of expense may be

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available through the Department of Local Affairs (DOLA). Director Grant advised the Board that he will research further and report back to the Board.

### CAPITAL IMPROVEMENTS

**Proposal by Orsatti Water Consultants Ltd. for Water Treatment Design:** Mr. Orsatti reviewed the proposal with the Board. It was noted that the fee estimate for the of the design work is \$9,820.

Following review and discussion, upon motion duly made by Director Vandegrift, seconded by Director Gardner and, upon vote, unanimously carried, the Board approved the proposal by Orsatti Water Consultants, Ltd. in the amount of \$9,820 and directed Mr. Beckman to prepare a Service Agreement and circulate for execution.

**Preliminary Engineering Report (PER):** Mr. Orsatti reported that a kick-off meeting was held on Friday, April 10<sup>th</sup> to discuss the District's goals and the work necessary to prepare the PER which will be use to review and analyze various water system improvements. Once an optimal project is determined it will be presented to the CDPHE and DOLA for approval and financial assistance. Mr. Orsatti explained that upon completion of each milestone in his scope of work, a technical memorandum will be prepared and reviewed with the District.

### LEGAL MATTERS

**Resolution 2020-04-01 Declaring Emergency Procedures and Authorizing Teleconferencing:** Following review and discussion, upon motion duly made by Director Richardson, seconded by Director Vandegrift and, upon vote, unanimously carried, the Board approved the Resolution (attached hereto and incorporated herein by this reference).

### EXECUTIVE SESSION

**EXECUTIVE SESSION:** Pursuant to sections 24-6-402(4)(F) of the Colorado Revised Statutes, upon motion duly made by Director Zaccaro, seconded by Director Richardson and, upon an affirmative vote of at least two thirds of the quorum present, the Board convened in executive session at 9:03 p.m. for the purpose of discussing employment matters as authorized by Section 24-6-402(4)(f), C.R.S.

The Board reconvened in regular session at 9:23 p.m.

The Board directed Mr. Beckman to prepare a job description for Mr. Pintor Jr. and to design performance goals tied to compensation for the Board's review.

### OTHER BUSINESS

There was no other business.

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### ADJOURNMENT

There being no further business to come before the Board at this time, upon motion duly made by Director Richardson and seconded by Director Gardner the meeting was adjourned.

DocuSigned by:

*Jim Jordan*

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President

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DISTRICT MANAGER'S REPORT

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To: Board of Directors, Idledale Water & Sanitation District  
From: AJ Beckman, District Manager  
Date: April 7, 2020

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Since being engaged on February 1, 2020 the primary focus of my attention has been in response to the District's water shortage. In my opinion this will require direct, timely and focused action in order to best position the District to improve its water system, obtain a sustainable water supply, and control its costs. The following is a recap of many but not necessarily all the challenges the district is presently facing as well as my recommendations to address them. The information that follows is based on my understanding of the District's systems and infrastructure and is intended to serve as a point of reference and discussion. Please let me know if you are aware of any inaccuracies in the forgoing.

**Water Supply History:** In 2013 the District's best producing well, the Sawmill Well was cited by the CDPHE for having high levels of radionuclides. The District was forced to address this issue through a compliance order. A plan was developed to take the Sawmill Well out of production and supply water from Wells 1A, 1B and Ridgeway by blending the water from Ridgeway (which is a strong producing well, but has elevated radionuclides) directly into the system at the Forks building. This strategy has limitations; primarily that the Ridgeway Well will only contribute a few gallons per minute to the overall system at this point of entry. The well does not join the system at the 200,000-gallon water tank at the top of the system, where a greater volume of Ridgeway water could be blended with the water from wells 1A and 1B. Modifications to allow the optimal blending scenario are very expensive, and will be studied by the District's Engineer as a possible long term solution requiring grant funding. The work to complete the smaller project of connecting Ridgeway to the system near the Forks Building has been approved by the CDPHE but is not complete.

In 2018 Wells 1A and 1B could not keep up with water demand during the dryer months of the year and purchasing delivered water to fill the water tank became necessary.

On February 2, 2020 a leak was discovered on Shady Lane which was contributing significantly to the imbalance between supply and demand. The leak was discovered on a private water line. The line in question may have several leaks, but the worst of the water loss has been controlled. The staff is working to install a curb stop and a water meter so water usage by this customer can be monitored and easily turned off in case of future leaks.

**GWUDI Finding by the Colorado Department of Health and Environment (CDPHE).** The CDPHE recently determined that the water provided by wells 1A and 1B is under the influence of surface water. Bob Orsatti, the District's Engineer has prepared a proposal to design the necessary water treatment to address the requirements of the new classification.

**Wells 1A and 1B Rehabilitation:** Work was performed on Wells 1A and 1B March 23, 2020 through March 30, 2020 by Colorado Water Well, in order to examine and clean the wells and to install the pump in Well 1A 60 feet deeper. The work is complete; the wells are fully operational, and the water tank is now full. The District's Engineer is analyzing water production data to provide information about how to maximize the yield. Obviously, we are in the peak run-off season, and under these conditions the wells are keeping up with demand. The goal is to improve and sustain better yield during the dryer months. There has been discussion regarding setting the pumps much deeper in the wells, however the benefit versus the cost is presently unknown. The findings by the District's Engineer will be forthcoming.

**System Needs Analysis / Preliminary Engineering Report (PER):** This work is necessary to analyze the District's system, consider all feasible alternative and recommend a project to address the District's infrastructure and water supply needs. At the February 26<sup>th</sup> Board Meeting Osatti Water Consultants was engaged to prepare a Preliminary Engineering Report. Partial funding for the PER will be provided by a grant in the amount of \$25,000 which will pay for 50% of the work. For the District to pursue grant funding through the Energy and Mineral Impact Assistance Fund (EMIAF) which has been the most reliable grant funding source in the past, the PER must be submitted with a grant application. The PER proves to the EMIAF that the District has a feasible solution and has done its due diligence. There are several criteria considered in determining which projects are most eligible for grant funding. EMIAF grants are typically structured as "matching funds" grants, meaning the grant funds must be matched by the recipient and used for the project identified in the PER. Applicants that can dedicate a greater percentage of matching funds to their identified projects increase their eligibility to receive grant funding.

**Financial Resources:** The District obtained a loan in 2017 in the amount of \$1,037,000 to pay off the previous debt and set aside a capital funding to address system deficiencies.

***Revenues per 2020 Budget:***

Operations, Maintenance and Capital Imp. = \$261,714. District Property Tax Limit = \$300,000 annually per voted authorization (2017 Election).

Dept Revenue = \$91,286. District Property Tax Limit = \$105,000 annually per voted authorization (2017 Election)

***Expenses per 2020 Budget:***

Annual Debt = \$90,000 through 2032. Interest Rate = 3.08%. District can still borrow approximately \$250K per voted authorization. No additional debt may be incurred without a successful election.

***Capital Reserve:*** The District has \$244,369 set aside for Capital Projects per the 2020 budget. This money is restricted to capital projects. These funds are supposed to be spent within three years, however under extenuating circumstances the deadline may be extended to five years.

**Cost of Water:** The cost of delivered water fluctuates based on time and materials charged by the service. I estimate the approximate cost to be \$150 per 1,000 gallons. Expenditures for hauled water are as follows:

2018 = \$16,686

2019 = \$80,000 (estimate)

2020 = \$65,000 (budget)

I am concerned that the cost of purchasing delivered water will severely limit or eliminate the District's ability to fund long term capital projects in the near future. I recommend that we make our very best efforts to increase the District's water production in the short term in order to preserve funding for our long-term system needs. Potential water production gains which I believe warrant further research include:

1. Wells 1A and 1B; We are awaiting the Engineer's findings.
2. Utilization of the water in the old reservoir, which is situated very near the new water tank and the water treatment building. Now that we will have to improve our treatment to conform to surface water standards, the 200,000 gallons on hand in the old tank could theoretically be put into the system. This water represents a value of approximately \$30,000 toward the defrayment of delivered water, counting only the water presently on hand. This reservoir is designed to recharge from nearby surface water sources. The rate of recharge is unknown and will certainly fluctuate seasonally.
3. The Ridgeway Well; The District obtained grant funding for design and construction and has received approval to use the current design however the well has not been put into service. Although the yield is relatively small it would increase our overall production.
4. Demand management through diligent and ongoing leak inspection and detection
5. Continued conservation efforts in the community

There may be other options, and before moving forward with any improvements the Board should have a clear idea of the cost versus potential benefit, associated risks, and a clear financial picture. The pursuit of any of these options would be a Board decision.

**Accounting and Accounts Payable:** As we navigate our way through the process of paying contractors, debt service and matching funds for grant funded projects, I recommend that all invoices come directly to the Manager and/or Accountant for review and approval. I further recommend that the accounts receivable and accounts payable functions be performed by the accountant using Bill.com for review and approval. I further recommend that quarterly financials be prepared by the accountant.

**District Manager:** While the Manager works at the direction of the Board, It will be important that all work by staff be directed by the District Manager and that the District Manager be the primary point of contact for all contractors, and consultants. If this is not already in place, I would like to require that any expenditure above \$500 require prior approval by the District Manager except in cases of emergency.