

RECORD OF PROCEEDINGS

A meeting of the Woodmoor Water and Sanitation District No. 1 (WWSD) Board of Directors was held on May 9, 2013 at the Woodmoor Water and Sanitation District No. 1 office.

PRESENT:	Director Town Director Courrau Director Taylor Director Whitelaw Director Schwab
Manager:	Jessie J. Shaffer
Asst. Manager	Randy Gillette
Attorney:	Erin Smith
Consulting Engineer:	
Secretary:	Marsha Howland
Visitors:	John Gallagher – Red Oak Consulting Ronnie Sperling – Buchanan and Sperling P.C. Steve Harker – Touchstone Golf, LLC Will Koger – Wips II Randy Johnson – Wips II Candice Hitt – Our Community News Approximately 50 Woodmoor Residents

Note: The Woodmoor Water & Sanitation Board Meeting was moved to the Barn to accommodate visitors. The Board Meeting returned to Woodmoor Water & Sanitation District office for executive session and adjournment.

1. **Call to Order:**

President Town called the meeting to order at 1:10 p.m.

II. **Reading of the Minutes:**

Copies of the April 11, 2013 meeting minutes of the Woodmoor Water and Sanitation District were provided to each director. It was moved, duly seconded, and unanimously passed that the minutes be approved.

III. **Financial Report:**

Taylor stated that he had reviewed the financial statements and did not have any changes. It was moved, duly seconded, and unanimously passed that the financial reports be approved.

IV. **Public Discussion:** The public discussion portion of the meeting was moved to after the District Manager's presentation on the irrigation block structure.

V. **Joint Use Committee Report (JUC):** Director Whitelaw stated that the JUC discussed the article in Our Community News concerning Regulations 85 and 31. The article stated that Governor Hickenlooper has set aside funds to help cover the expenses that will be incurred by the new Regulations. Tri Lakes Wastewater Treatment Facility will benefit from this decision. Shaffer stated that Regulation 85 mandates that stream flow samples be taken at certain points on the stream. Shaffer stated that WWSD has joined with several other wastewater dischargers to form a group called the Arkansas, Fountain, Rural Urban, Creek Evaluation Group (AFCURE). The Pikes Peak Regional Water Authority (PPRWA) has agreed to take the AFCURE program as an associated member. Shaffer stated that the next step is for each discharger to submit their comments to form a project participation agreement. WWSD has submitted their comments and suggestions for the agreement, and are waiting for the other discharges to do the same. Shaffer will bring the project participation agreement to the Board upon completion.

VI. Manager's Report:

Shaffer reviewed the Manager's Report dated May 9, 2013, a copy of which is attached hereto.

1. Collaborative Organizations/Opportunities:

a. **Pikes Peak Rural Water Authority (PPRWA):** Shaffer stated that the PPRWA meeting was routine. The group talked about the Wips II study. Shaffer stated that Will Kroger will have a presentation for the Board concerning the WIPS II study later in the Board Meeting. Shafer stated that the WIP II study is looking to partner PPRWA members to share the expense of existing and future infrastructures. Shaffer reported that El Paso County is considering adopting 1041 permit regulations. Shaffer stated that he has a draft proposed 1041 regulation, a copy of which is attached hereto. The impact of these proposed regulations will be discussed in executive session.

2. **Operations: Randy Gillette:** Gillette stated that WWSD is still in the process of locating the unaccounted water. Gillette reported that WWSD has put approximately 43 acre feet of water into Lake Woodmoor. Gillette stated that WWSD has 3 wells down at this time. Wells 11, 15 and 18 have all failed. Gillette stated that Well 15's water table is dropping as predicted. WWSD will look at the reduced production for the well. Well 18 is basically in the same situation. The drop in the water tables is a concern for WWSD. Well 11 had an equipment failure that has been repaired and should be back in the ground soon. Shaffer stated that WWSD has funds in the current budget to cover the repairs of the wells. Gillette stated the Monument Creek Exchange has been operating well. Gillette reported that the mixers for Lake Woodmoor should be delivered next week. Gillette encouraged the visitors to sign up for the WWSD e-mail for updates on the District.

3. **District Construction/Planning Projects:** Shaffer reported that WWSD will have a few realignments on the sanitary sewer system and manhole replacements this summer.

4. WWSD Subdivision/Development Status Update:

- a. La Plata – Lake Property:** Shaffer reported that he was invited to a work session with the Woodmoor Improvement Association and La Plata. La Plata is a developer in El Paso County. La Plata has purchased the vacant land around Lake Woodmoor. These properties were held by a company called Colorado Lakeshore Holdings and La Plata has purchased all of their assets. Shaffer stated that La Plata's intention is to develop homes on these properties.

5. Other Topics:

- a. Discuss "The Pipeline" Newsletter:** Shaffer stated that WWSD used to have a newsletter called The Pipeline, a copy of which is attached hereto. Shaffer stated that WWSD stopped sending this newsletter out because they were not receiving any feedback that their customers were actually reading the newsletter. Shaffer asked the Board if they would like to start up the newsletter again. The Board decided to start the program up again for a trial run. Shaffer will bring a draft copy of the newsletter back to the Board in June, 2013 for review.
- b. Discuss WWSD Conservation Program & Customer Communications:** Shaffer reported that WWSD's water conservation program goes into effect June 1st. Shaffer stated that a brochure will go out with this month's bills explaining the mandatory water restrictions program, a copy of which is attached hereto. The brochure also explains WWSD's rebate program for low flow appliances and efficient irrigation systems.
- c. Discuss Tribune Articles & Consider Press Release or Letter to the Editor:** Shaffer asked the Board if they wanted to respond to the articles published in the Tri-Lakes Tribune and the letter to the editor in Our Community News. The articles discussed the closing of Monument Hill Golf Course, a copy of which is attached hereto. After a lengthy discussion, the Board decided to publish an article in The Pipeline concerning rate and block structures.

VII. Special Reports and Subjects:

- 1. Engineer's Report:** none
- 2. Attorney's Report:** none

VIII Old Business:

- A. Presentation of Potable and Non-potable Irrigation Blocks/Rates Analysis & Results:**
- Shaffer presented a power point presentation to the Board concerning WWSD's irrigation blocks. Shaffer stated that the Board authorized him to contract consulting services for an analysis regarding WWSD's irrigation block structure. Shaffer stated that he hired Red Oak Consulting and John Gallagher has been his primary contact. Shaffer made his presentation based on the completed analysis. Shaffer started with the history of the block structure. He explained that the blocks were based off historical customer class usage; that they expand by meter size. Cost of services is recovered in the first 2 blocks. Block 3 is set to discourage excessive water usage. Shaffer stated that WWSD has received some feedback from its irrigation-only customers that the blocks are too compressed; and that the block structure does not allow a quantity of irrigation water for healthy turf grass without block 3 financial impacts kicking in. Shaffer stated that the irrigation only customers have stated that they need more water in the lower blocks. Shaffer reported that due to this feedback, WWSD felt it needed to analyze the current block structure. Shaffer reminded the Board that all rate and block structures must meet the legal standard, which is that the rates be rationally related to a utility purpose. Also, under the law, the rates and blocks must be related to the cost of providing the service. Shaffer stated that the cost of service modeling is different for each customer class. WWSD has 5 customer classes; residential, non-residential, irrigation, non-potable and bulk. The bulk class has 2 sub-categories; internal and external usage. Shaffer stated that the Board looks at the new rates model each year at budgeting time to determine the next year's rates. Shaffer stated that the analysis that John Gallagher performed shows the amount of water needed for grass irrigation demand (GID). GID differs each month of the year, less for April and May and then increasing from June to the end of September. The analysis looked at incorporating GID within the current block structures. Shaffer stated that the current block structure does not track GID. Shaffer presented a bell curve showing the different GID months. Shaffer stated that using the analysis, WWSD can determine how much GID a customer needs, depending on the area size they irrigate. In order to maintain the District's conservation incentives, each customer's bell curve would be based on 80% of their GID. The new block structure would allow each irrigation customer to stay within the Block 1 rate if they choose to only use 80% of the GID. If the customer decides to use more than 80% of their GID, their rates would go into the Block 2. Also, if a customer waters over 100 % of their GID, the rate would fall in block 3. Shaffer reported that using 80% of GID is an average usage. Shaffer stated that using the GID to set blocks is a new concept. The new block structure would still use meter size and block expansion to create the bell curve for the irrigation customers. Shaffer stated that each irrigator would be responsible for tracking their water usage to stay within the 80% of GID. WWSD will meet with all the irrigators to explain this new block structure. Gallagher stated that using 2012 usage history, only 33% of WWSD's irrigation customers stayed in the block 1 rates. If WWSD chooses to use the 80% of GID block structure, the percentage of customers staying within block 1 would rise.

Gallagher stated that irrigation customers would be able noticeably reduce their water expense by using this new concept. Shaffer stated that the current block rates are \$2.21 per 1000 gallons used in block 1, \$3.65 in block 2 and \$6.38 in block 3. In order for WWSD to recover their cost of services using the new block structure, WWSD will need to raise the rate in block 1 to \$2.35 per 1000 gallons used. Shaffer stated that there could be affects from the District implementing this new structure, and WWSD will have to look at the cost of services/revenue at the time of budgeting for next year. Shaffer summarized the different block structures and concluded the presentation.

1. Public Discussion: The Board answered several questions concerning the presentation and other topics:

A member of the audience asked about the how the cost of bringing water from the JV Ranch to Woodmoor will be paid for and whether residents of Woodmoor will be paying. Board members explained that WWSD will be looking for partners to share that cost. WWSD is looking into several cost saving options at this time.

A member of the audience asked about Woodmoor buy water from Colorado Springs Utilities and if this was an option. Director Town responded that CSU has regulations in place that prohibit it from selling water to entities that are out of basin.

A member of the audience asked about the potential partners that Woodmoor might enlist to help share costs of the JV Ranch water transport. The Board explained that once the Water Court process is completed, WWSD will be able to pursue partners and will have a better idea of who to pursue at that time.

A member of the audience asked whether the Board is willing to negotiate with the Monument Hill Country Club on rates in order to keep the golf course open. It was pointed out that the law does not authorize the Board to negotiate the structure of water rates. Director Town stated that the block structure that was just presented should help address the Country Club issues, but the Board has yet to approve the structure. Town also stated that the Board has to consider all WWSD's irrigation customers when it makes decisions concerning the block structure for irrigation usage.

A member of the audience asked about the impact of the purchase of the JV Ranch to the Monument Hill Country Club and whether it's rates were increased as a result of WWSD paying for the purchase. Director Town and Director Courrau responded that Monument Hill Country Club like all WWSD customers is charged a monthly renewable water investment fee and that the monthly renewable water investment fee did not account for the Country Club's costs

which were significantly related to events such as the State Engineer eliminating water usage by the Country Club of certain water that the Country Club did not have rights to use and the significant pond leakage.

A member of the audience asked about the source of non-potable water and whether it is cheaper than potable water. Manager Shaffer responded that the non-potable water comes from Monument Creek as a result of WWSD's exchange program. The non-potable water is not treated which is why it is at a lower cost.

Steve Harker of Touchstone Golf asked what the savings will be to the Monument Hill Country Club using the new block structure. It was explained by Manager Shaffer that the savings will be approximately \$28,000 assuming there is not a change in usage patterns. Harker stated that Touchstone is very pleased that WWSD is being pro-active in regards to this issue.

Note: Names and addresses of audience members who spoke were not clearly stated on the recording.

B. Consider Adopting New Irrigation Rates/Blocks: The Board discussed the analysis presented to it and the reasons for and against adopting the new block structure.

Motion:

Upon motion by Director Taylor, and second by Director Whitelaw, the Board unanimously voted to approve the implementation of GID water blocks for non-potable irrigation customers and modify GID water blocks for irrigation only and bulk irrigation customers together with a block 1 rate increase from \$2.21 per 1000 gallons to \$2.35 per 1000 gallons for the non-potable irrigation class of customers based on the rationale and analysis delivered by the District Manager and John Gallagher of Red Oak Consulting and for legal counsel to prepare a resolution duly memorializing the Board's action and its findings.

Motion:

Upon motion by Director Schwab, and second by Director Taylor, the Board voted unanimously to implement the new block and rate structure effective June 1, 2013 and that it be implemented within the District on a trial basis for the 2013 irrigation season.

Harker then stated that he had nothing further to present and that the need for his presentation under Agenda Item 9A was moot. There being a request from Harker for withdrawal, the Board by consensus withdrew Agenda Item 9A from the Agenda.

The Board then took up consideration of Agenda Item 8C.

C. Consider Financial and In-Kind Participation in PPRWA WIPS II Study – Presentation by Will Koger: Koger made a presentation on a feasibility analysis on infrastructure storage, neutralization and reuse of water in the future. Koger discussed in detail the scope of services, a copy of which is attached hereto. The budgeted cost of the

study is \$158,000. Part of this cost will be covered by grants, the remainder to be paid by the participants. At this time there are 6 participants. Kroger stated that the study would start in November, 2013 and would take approximately 11 months to complete. Koger asked the Board to consider participating in this study. Shaffer stated he thinks the study has merit.

Motion:

It was moved by Director Taylor, duly seconded by Director Courrau and unanimously passed to contribute \$15,000 to the WIPS II Study for 2013, and will consider an additional \$15,000 for 2014.

IX. New Business:

A. Touchstone Golf, LLC Presentation & Request: Steve Harker from Touchstone Golf addressed the Board. Harker stated that Touchstone Golf was assigned receivership of the Monument Hill Country Club on April 3, 2013. Touchstone is looking to make the Monument Hill Country Club a viable entity to the community. Harker stated that base line economics for Monument Hill Country Club does not work due to the water cost. Harker stated that they need a better quality of turf for the golf course to attract new customers, and at the present water cost that is not possible. Harker thanked the Board for adopting the new block structure and hopes to reopen the golf course this season.

X. Executive Session:


It was moved, duly seconded, and unanimously approved that the Board move into Executive Session pursuant to: (1) C.R.S. Section 24-6-402 (4) (a) for discussion related to the purchase, acquisition, lease, transfer, or sale of any real, personal, or other property interest; (2) C.R.S. Section 24-6-402 (4) (e) to determine positions relative to matters that may be subject to negotiations, developing strategy for negotiations, and instructing negotiators; and (3) C.R.S. Section 24-6-402 (4) (b) for conferencing with legal counsel regarding specific legal questions all related conveying property to El Paso County and the financing, acquisition, regulation and construction of infrastructure and facilities related to water provision. Executive Session commenced at 4:10 p.m. The Board returned to Regular Session at 5:34 p.m.

Note: The June Board Meeting will be held on June 20, 2013.

XI. **Adjournment:**

There being no other business to come before the Board, it was moved and duly seconded that the meeting be adjourned. The motion passed unanimously and the meeting adjourned at 5:34 p.m.

Respectfully Submitted,


Beth Courrau, Secretary