

RECORD OF PROCEEDINGS

MINUTES OF THE SPECIAL MEETING OF
THE BOARD OF DIRECTORS OF THE
ST. MARY'S GLACIER WATER AND SANITATION DISTRICT
HELD
MARCH 14, 2018

A special meeting of the Board of Directors of the ST. MARY'S GLACIER WATER AND SANITATION DISTRICT (referred to hereafter as "Board") was convened on Wednesday, the 14th day of March 2018, at 6:00 P.M., at Alice School House, 271 Silver Creek Road, Idaho Springs, Colorado, 80452.

ATTENDANCE

Directors in Attendance:

Dawn Czajka, President
John Carlyon, Secretary
Ray Hodge, Assistant Secretary

Directors Absent but Excused:

Bruce Hohne, Director

Also in Attendance:

Stan Myers and Molly Janzen; Pinnacle Consulting Group, Inc.
Colin Mielke; Seter & Vander Wall, P.C.

Members of the Public:

Tisha Higgins, Bob Brown, Sam Grech, Jim McGrath, Nora Kellems, Tony Medina, Pete Ward, Tom Myers, Robert McElroy, Cherie Smittle, Alicia Walsh, Sandra Goff, Karl Altenberad, Dal Downey, Daniel Reisback, Mark Klug, Glenn and Sarah Clark, John and Krystal Lenz, and Mike Chateuneauf

Director Czajka called the meeting to order at 6:07 P.M.

Director Czajka confirmed that a quorum of the Board was present.

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DISCLOSURE MATTERS

The Board had been previously advised that pursuant to Colorado law, certain disclosures by the Board members might be required prior to taking official action at the meeting. The Board then reviewed the agenda for the meeting, following which each Board member affirmed their conflicts of interest, stating the fact and summary nature of any matters, as required under Colorado law, to permit official action to be taken at the meeting. The Board determined that the participation of the members present was necessary to obtain a quorum or otherwise enable the Board to act.

ADMINISTRATIVE MATTERS

Agenda: A proposed agenda for the special meeting was distributed for the Board's review and approval. The agenda was amended to move Pinnacle Consulting's presentation of their analysis of the District's current financial position and their recommendations for increasing

rates to before the Public Comment period in order to facilitate constructive public comments regarding the items discussed during the presentation. The revised agenda was approved by the Board. Upon approval Director Czajka asked Mr. Myers of Pinnacle to initiate the presentation of Pinnacle's financial analysis and rate recommendations.

Presentation by Pinnacle Regarding the District's Financial Position and Rate

Recommendations: Mr. Myers began the presentation with an overview of the District's current status with the Colorado Department of Public Health and Environment (CDPHE). The District is currently under a Notice of Violation and a Cease and Desist Order on the wastewater system that was originally issued in 2015. In addition, the District is under additional requirements from a CDPHE Sanitary Survey and a CDPHE Inspection of the Wastewater Facility that were completed in 2017.

Mr. Myers then explained the District's status in obtaining grants and loans to begin to address the necessary repairs to the District's infrastructure. In December 2017, the District was notified that a Design and Engineering Grant totaling \$240,000 has been awarded to the District to assist with the costs of completing necessary design and engineering for the District's wastewater collection system and wastewater treatment plant project. This grant is conditioned upon the District closing on a State Revolving Fund (SRF) 30-year, \$3 million loan to fund the cost of the project at 0-1% interest. In addition, the District has been notified that a similar grant and loan is pending for the District to utilize in addressing the issues with the District's water distribution system. Mr. Myers further outlined that a loan condition within the State Revolving Fund (SRF) agreements is for the borrower (the District) to certify that a fiscal sustainability plan has been developed and is being implemented prior to the completion of the project. The design and engineering grants will be 100% forgiven at the time of the State Revolving Fund loan closing.

Mr. Myers informed the Board and members of the public that Pinnacle has evaluated the District's current financial position and identified action items necessary to address immediate funding needs. At this point, Mr. Myers turned the presentation over to Ms. Janzen, Accounting Manager for St. Mary's Glacier Water and Sanitation District.

Ms. Janzen began her presentation by stating that the recommendations presented by Pinnacle are based on the current understanding Pinnacle has of the District's operations and the state of the District's infrastructure. She also stated that as further knowledge is obtained, these recommendations may need to change and that the recommendations are the first step in a long-range plan that the District will need to implement. Ms. Janzen then distributed a one-page summary of Pinnacle's recommendations for rate increases (attached). She explained that the rate recommendations outlined contained two aspects: a rate increase related to District operations and a rate increase to support the repair of the District's infrastructure.

Based on Pinnacle's evaluation of the District's finances, operations, and infrastructure needs, Pinnacle recommends increasing quarterly service fees for customers connected to the systems by \$65 per quarter (a \$21.67 per month increase) to cover the costs of the District's operations, to begin addressing the District's lack of reserves, and to assist in remedying critical infrastructure issues.

Ms. Janzen then explained the rationale for the rate recommendation related to the Capital Infrastructure portion of the budget. Rates must increase to fund payments related to the State Revolving Fund (SRF) loans the District is seeking. Pinnacle's recommendation for this portion of the rate increase is to increase quarterly rates for all water and sewer customers, including lots subject to Availability of Service Fees by \$45 per quarter (an increase of \$15 per month). Ms. Janzen ended her presentation by stating that additional increases in the District's fees, rates, tolls, charges, and penalties may be needed in the future to ensure the integrity of the District's water and wastewater systems.

Public Comment: At approximately 6:35 pm the meeting was opened to public comment. Those speaking were asked to limit their comments to 3 minutes. Approximately 15 property owners within the District spoke. Issues and concerns raised by those speaking included fairness of fees allocated, accountability of the District as the process to obtain loans and repair infrastructure moves forward, consideration of fees based on usage, consideration of prioritizing smaller repairs, consideration of utilizing local manpower, and an overall desire that progress is made in addressing the CDPHE concerns. Tom Meyer also suggested to the Board to create a repair subcommittee to address immediate repairs that cannot be handled by Chris Oeland. The public comment portion of the meeting was closed at approximately 7:50 pm.

FINANCIAL MATTERS

Presentation of January Payables

Ms. Janzen presented the February payables for approval detailing payments to be ratified in the amount of \$58,243.92. She highlighted that this batch of payables included a November invoice for ORC Water Professionals. Upon motion duly made by Director Czajka, seconded by Director Hodge, and upon unanimous vote, the Board ratified and approved the payables as presented.

EXECUTIVE SESSION

At approximately 8:00 p.m., Director Czajka moved that pursuant to section 24-6-402(4)(b) and (e), C.R.S. and upon an affirmative vote of at least two-thirds of the Board members present for the motion, the Board enter into executive session for the sole purpose of receiving legal advice and discussing negotiating positions related to litigation filed by the owners of Lot 310, St. Mary's Subdivision Unit 3. Upon second and unanimous vote, the Board approved the motion to enter into executive session for the above-stated purpose.

The Board reconvened from executive session at approximately 8:10 p.m. and affirmed that no actions had been taken during executive session.

LEGAL MATTERS

Update of Litigation by Owner of Lot 310, St. Mary's Subdivision Unit 3:

Upon motion, seconded and unanimously carried, the Board approved proceeding in the manner discussed during executive session and directed Mr. Mielke to perform any necessary actions related thereto.

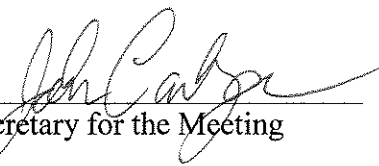
OTHER BUSINESS

No other business was brought before the Board for consideration.

ADJOURNMENT

There being no further business to come before the Board, upon motion duly made by

Director Czajka, seconded by Director Carlyon and, upon vote, unanimously carried, the meeting was adjourned at 8:45 P.M.

By: 
Secretary for the Meeting