

RECORD OF PROCEEDINGS

CONTINUED SPECIAL MEETING OF THE BOARD OF DIRECTORS ALPENSEE WATER DISTRICT

HELD: Wednesday, January 25, 2012, at 6:30 p.m. at 0083 Nancy's Place, Frisco, Colorado

ATTENDANCE:

A continued special meeting of the Board of Directors of Alpengsee Water District, Summit County, Colorado, was called and held as shown above and in accordance with the applicable statutes of the State of Colorado, with the following directors present and acting:

Travis A. Smith, President
Laurence E. Smith, Vice-President
Richard Savidge, Secretary
Warren Hancock, Treasurer
Donald R. Skotty, Director

Also present were: Several District residents; Matt Willitts from Water Solutions; Norman F. (Rick) Kron of Grimshaw & Harring, attorneys for the District (by phone); and Lori Cutunilli, District Manager.

CALL TO ORDER:

President Smith called the continued special meeting of the Board of Directors of the Alpengsee Water District to order. There was a discussion of financials and the budget. President Smith explained that the primary reason for the continued meeting was to evaluate opportunities to save costs by an evaluation, discussion, and a possible change in the (1) water plant operator, and (2) manager. He noted that Don, Dick and Warren had met with Matt from Water Solutions and that this meeting will allow Matt to meet with all of the Directors, allow Lori to discuss the issues, and allow discussion of Don's offer to be the manager. So, the Board wants to look at those possibilities.

DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST:

The Board noted that disclosure statements had been filed on behalf of the members of the Board of Directors with the Office of the Colorado Secretary of State and with the Secretary of the District, and verbally disclosed the same. Larry Smith is the developer of the district and subdivision and owns the mobile home park. Travis Smith reported that he owns property in the District and is Larry's grandson. Warren Hancock and Richard Savidge reported that they are homeowners. Doug Skotty reported that he is a

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homeowner and customer of the system. Manager Lori Cutunilli reported that she is Larry Smith's daughter and the water system operator. The Board noted that there are no new or different potential conflicts to be reported. There were no questions from anyone concerning potential conflicts.

MINUTES:

Following discussion, upon motion duly made, seconded, and unanimously approved, the Board approved the minutes of the special meeting held December 2, 2011 as presented.

UNFINISHED BUSINESS:

- a. Potential Xcel refund arising from high January, 2011 electricity demand. President Smith introduced Mr. Kron, who described Grimshaw & Haring, P.C.'s representation of Xcel and the District and explained that the firm would not represent either the District or Xcel in the matter due to the potential conflict of interest. He provided contact information for Xcel's Todd Anderson who may be able to help.
- b. District Management. To be discussed later.
- c. Backup generator pricing. President Smith noted there is no backup power for the water pumps, so the District is looking at this alternative. Candace Winkle reported that David Flanigan didn't get the drawings of the water plant, and he can evaluate them when he gets them. President Smith suggested the drawings might be part of the Martin & Martin documents.

Gary Probst at Triangle Electric estimated the power needed would require a 70 KVA generator, which would cost approximately \$60,000.

President Smith reported that an earlier review had suggested a similar cost. He also reported on a possible option of a diesel generator.

Jeff Paddock, an electrical engineer, would like to work with David on developing a plan. President Smith will make it a priority to get them the documents.

NEW BUSINESS:

President Smith reported that Director Skotty had asked for additional financial documents for the board to review. Manager Cutunilli reported that Mr. Goedecke says we cannot generate cash flow reports due to the use of governmental accounting

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methods. She will furnish the check register to Director Skotty, along with the source documents. She will also provide the bank statements.

President Smith asked for an operational update on the water system. Manager Cutunilli reported there were no current issues. There was a programming glitch that was fixed. A pressure issue has been resolved.

OFFICIAL POSTING LOCATION:

Mr. Kron advised the Board that an official posting location for meeting notice is required for the 2012 calendar year. Following discussion, on motion duly made, seconded, and unanimously approved, the Board selected the District's official posting location as the mailboxes at the entrance to the subdivision.

PRESENTATION OF PROPOSALS RE DISTRICT'S WATER SYSTEM:

Water Solutions:

Matt with Water Solutions advised that he had sent a proposal to the District to operate the District's water system. Water Solutions is a contract water systems management firm operating several systems from 20 gpm to 1.4 mgd facilities. They have six operators and several other licensed personnel.

Matt reported that having 15 service connections (or even 50 service connections) means that the system is considered a "Public Water System," and so, you need a licensed operator under Health Department regulations. The District would be a "D" system (lowest level). He is familiar with the Alpensee system. Water Solutions has an operator on call 24/7. They take care of several large systems.

He assumes that the District is a "Public Water System." His company has achieved compliance for similar systems and maintained compliance. He explained some of the regulatory requirements.

The Water Solutions proposal is for two visits per week to the facility, making adjustments, checking chlorine, taking samples, etc., and working with CDPHE. He ran through surface water regulations as compared to other regulations. The surface water regulations may apply to the Alpensee well because it may be "under the influence" of surface waters. As a result, there may be additional documentation, water quality, and sampling requirements.

The monthly bare bones contract is for \$1,575. There would be immediate response on the phone.

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Matt qualifies as a Double A operator and a Class Four collector and he maintains five state licenses. He summarized his other qualifications.

He does not know details about the automation in the plant, so one visit per week may be possible, which would lower the monthly cost to \$1,275. He recommended that the system be connected to the internet or otherwise upgraded to allow for remote monitoring. The cost for this connection would run several thousand dollars.

His charges would be about the same for a 500 population system as at Alpensee because his involvement and the regulations are the same.

He described a number of his other clients.

Director Skotty asked about the Alpensee incident on January 1, 2011 when there was a loss of system pressure. He noted that the District's electric bill was higher due to peak electric use trying to bring the pressure up. How would Water Solutions deal with this situation?

Matt answered that, depending on the automation, he would expect to get a call. Water Solutions typically responds in 45 minutes, but it could be more, depending on the circumstances. They would evaluate – troubleshoot the problem. With a power outage, they would repressurize the system in a predetermined way.

He noted that the commercial electric rate is based on peak demand (similar to water and sewer rates). In restarting, they would not "spike the system" with water, which would cause water hammer. You would want to slowly charge the line to limit sediment and broken pipes. Flushing to get rid of the dirty water in an emergency may not be possible, so he would recommend a regular flushing system. It may take longer (maybe 4-5 hours) to recharge a line slowly – it depends on the situation.

The method of flushing is typically from the storage outward, and that's what he would do here, using the fire hydrants.

He stated it would take about two months for him to become familiar with the system. Completing the documentation would take months or years. There will be a cost to the District if it becomes a "Public Water System." He will know the system mechanics in one month. The initial set up and developing the "daily SOPs" are part of the initial cost. Writing specific SOPs (like for power outages) would be extra. The flushing program would be extra and billed hourly. Alpensee may not be able to afford the higher maintenance, the flushing, or valve exercising. They are highly recommended, but extra. Alpensee can do some of those tasks every other year.

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The proposal includes all the minimum things required by the state. He has been doing some of this hydrant maintenance currently.

He can finish a recommendation on the extra maintenance items, frequency, and costs for budgeting purposes. But, he would also have to charge for calls (for responding to customer calls, main breaks, power outages).

He believes the hourly rates are well priced, especially given training and liability. The hourly rate is \$70 plus mileage at the IRS rate, doorstep to doorstep.

He explained that usually, one person responds to calls. If it is a two-man project, they will send two, especially if safety concerns are involved. But usually one is all that is needed.

This is a minimum one-year contract because he will have costs up front, so he needs to recoup that. He would prefer a three-year contract.

Right now, he sees a need for two visits per week until the remote controls are available.

He reported that the fire district required that the District have a huge tank for its system, which can raise water quality concerns. The 30-40' shallow wells may require a new study (\$6-7,000) to determine if the wells are "under the influence" of surface sources. The study involves a number of tests. That would be an additional cost. The District may also need a P.E. study.

Following a customer question, Matt answered that the conversion to a "Public Water System" is a state requirement. Fifteen connections puts you in that classification.

Homeowners can take some of the water samples, but he wants to do it due to the potential liability. The homeowners can check on some measurements, but he would rather do it himself.

He will not charge an additional overtime or after hours rate. He is planning to do his work during normal hours. He would avoid multiple trips, if possible, but he will charge for trips to respond to calls.

He noted that there is always something on top of the monthly charge.

He would do the general housekeeping and maintenance (such as an oil change) under the monthly fee, but major component break or reconstruction of a PRV would be added.

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Lori Cutunilli:

Manager Cutunilli advised that she is a “small system” “D” operator, and has been for eleven years. She advised that the District has been given the testing system for the Public Water System. She explained recent maintenance and state communications. She has created a number of the required documents already, and can complete the remainder.

She advised that she visits the system one to five times a week, including for every electric flicker. She has worked to be sure the jockey pump restarts. There is an automatic dialer being implemented.

She reported the District will have to implement the manual and plan when it is deemed a Public Water System. If we are “under the influence” we will have to make many changes and we may have to do various work.

Colorado Rural Water has a circuit rider who will assist with some items.

She has handled the system so far. Homeowners can collect some samples. The testing will cost \$5,700.

Matt recommended that the testing work would be done by a separate lab. He explained lab procedures.

Manager Cutunilli’s license is up for renewal in January, 2013.

A customer asked what happens if Ms. Cutunilli is out of town.

Her backup is Mike Cutunilli. They do not leave town together. He is very familiar with the system.

Ms. Cutunilli’s salary has been \$1,750 per month for several years as operator and manager, then last year she was given a raise of \$250 – a first. The monthly payment is for her to do everything, both operations and management.

Ms. Cutunilli’s salary is now \$2,000 per month to do everything, including management, invoicing, accounts payable, etc. It all goes together. She knows the system and she’s been doing it all since the day it started. She’s proposing now \$1,750 per month.

Ms. Cutunilli described her log and she has written a manual.

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A customer asked – if she calls and no one responds, what compensation would the customer get? Ms. Cutunilli responded the situation would have to be addressed by the Board.

Director Skotty stated there have been concerns about the response time.

A customer commented that the customers want to know after an outage when the system is back on. Ms. Cutunilli has proposed notification to customers by use of a phone chain or email chain through a homeowner.

Customer question: If a customer calls, will someone always answer? Neither Ms. Cutunilli nor Water Solutions would guarantee an answer to every call.

Matt described continuing education requirements.

Matt discussed possible operating conditions for the tank and the age of the water in the tank. He commented on the problem of the large fire district volume requirements, small demand, and maintaining water quality.

Ms. Cutunilli noted that she can do the flushing as part of her normal rate. Colorado Rural Water will come out for free to assist with creating a plan for it. There are minor equipment requirements.

Matt mentioned potential need for flushing equipment. He noted that the amount of water in the tank would probably depend on the fire department requirements. He doubted that the homes have a sufficient chlorine residual.

Ms. Cutunilli noted she has exercised the valves every two years. Hydrants need to have it done. There are a couple of hydrants that need repair.

She also performs inspections of service line installations. Matt charges \$70/hr for that.

Matt noted the inspection fee can be passed on to the homeowner. He noted that Water Solutions can bring more expertise, is fully licensed, and has degrees. Alpensee would be paying for the expertise in electrical and building maintenance, electrical engineering is in-house or subbed out, and he knows what he wants.

Ms. Cutunilli said, that “You know my expertise and I can get what I need.”

Director Smith commented that Ms. Cutunilli has earned every penny in the past and she shouldn't take a pay cut. President Smith stated that if cost savings is the option, then the change to another operator doesn't work.

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Ms. Cutunilli stated she is willing to go with \$1,750 per month (a cut of \$3,000 per year).

Director Skotty says he is grateful for the drop of rate, but we have bigger issues here, possible reconfiguration, backup power, economic viability of the District, safety issues. He wants a professional water contractor. It is more money, but many of the extras are in the maintenance budget, especially if Director Skotty provides management for one dollar a year.

Director Skotty stated he wants the best possible service and water. We're changing, we need to meet standards.

President Smith stated a price increase would be required and is not in the budget, especially if there is a serious service call.

President Smith asked about how many power flickers exist and their cost? The Board discussed the 2011 Xcel power spike and its cost to the District. Matt described his expectations about turning on the system.

Director Smith suggested having Ms. Cutunilli keep a log of everything she does and see which of those would be an extra cost with Matt's firm – that might help.

Director Skotty pointed out there are many more management functions than mere invoicing.

A motion was made by Director Skotty to approve the Water Solutions proposal to be the operator of the system.

The Board asked for comments.

An audience member said there has been no problem in five years. We have someone on site and we can get service at additional cost. We now have the best of both worlds. He believes we're very fortunate to have both operators here tonight. Matt has more book knowledge, but Ms. Cutunilli has the hands-on knowledge. He's very comfortable with where we are as a homeowner.

Another audience member commented: "I'd like to keep the water bill the same."

A board member said this all started with looking at cutting costs to create a margin. Director Skotty said he would do the administration work for \$1. Matt said he could do services for less. Costs are likely to go up for mandatory expenses.

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Matt could not guarantee that his cost will not top \$20,000 or \$50,000.

Director Smith said you know he'll cost more.

Director Skotty pointed out that many of Matt's extra costs will occur regardless. He also is concerned about competency.

The Board discussed proceedings at prior meetings. The Board discussed the loan payment and prior taxes. The Board discussed rates and expenses.

Matt proposed that Water Solutions could start March 1.

Mr. Kron was asked to review the prior motion [made by Director Skotty above]. He did so and suggested that the motion be made more specific since there were a number of items on the table.

Motion was made by Director Skotty to hire Water Solutions as operator for twelve months at \$1,525 per month for two visits per week or at \$1,275 per month if it could be done with one visit per week, plus \$70 per hour for work outside the base services. Motion seconded by Director Savidge. Upon vote: Aye – Directors Skotty and Savidge, Nay – Directors Smith, Smith and Hancock. Motion failed.

Motion was made by President Smith to reduce Ms. Cutunilli's salary to \$1,750 per month for management and operating the plant, effective February 1, 2012, seconded by Director Smith. Upon vote: Aye – Directors Smith, Smith and Hancock, Nay – none, Directors Savidge and Skotty abstained. Motion passed.

Director Smith commented that three Director terms expire in May, 2012 for any who want to run. May 8 is the election date.

A Board member expressed a concern about the Smith family running the system.

MAY 2012 ELECTION:

Mr. Kron quickly ran through the election procedures, including the requirement for potential candidates to file nomination papers in February (deadline is March 5), and informing those present to call Leslie Larson at Grimshaw & Haring for more information.

ADJOURNMENT:

There being no further business to come before the Board, the meeting was adjourned.

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The foregoing minutes constitutes a true and correct copy of the minutes of the above-referenced meeting and was approved by the Board of Directors of the Alpensee Water District.

Secretary of the District