



Perry Park Water and Sanitation District
5676 West Red Rock Drive
Larkspur, Colorado 80118
www.ppwsd.org

Regular Meeting, Budget Hearing and Rate Increase Public Hearing December 14, 2022

Board Members Present

Brian Arthurs
Tony Lucas
James Maras
Jim Matchett
Gary Peterson

Visitors

Jill Arthurs
Bob Dewald
Todd Jacobson
Lowell Johnson
Artie Lehl
John Meyers
Brett Nelson
Bonnie Schwam
Chris Warren
(and four others)

Staff / Consultants in Attendance

Pat Colleran – D. A. Davidson & Co.
Diana Miller – District Manager
Justin Rasor- Raftelis
Andrew Wheeler – D. A. Davidson & Co.

1.0 Call To Order

The Regular Board Meeting, Budget Hearing and Rate Increase Public Hearing was called to order at 14:03.

2.0 New Business and Open Items and Operational Status

- 2.1 Meeting Minutes – Approval of the November 9, 2022 Meeting Minutes was rescheduled to the January 18, 2023 Board Meeting.
- 2.2 Disbursements - A motion was made and seconded; (RESOLUTION 22-092) TO APPROVE ELECTRONIC PAYMENTS DATED NOVEMBER 21, 2022 IN THE AMOUNT OF \$13,181.66 WHICH WERE PREVIOUSLY DISBURSED FROM 1ST BANK. The motion passed unanimously.

A motion was made and seconded; (RESOLUTION 22-093) TO APPROVE CHECKS 13608 THRU 13620 IN THE AMOUNT OF \$101,554.94 TO BE DISBURSED FROM 1ST BANK.

In reference to check 13608, issued to American Overhead Door, Director Arthurs requested additional information. The District Manager advised that this was for automatic opening gates with security codes that were fitted to the existing fences

at the Sageport and Waucondah Wastewater Treatment Plants to address unauthorized access to the facilities.

A motion was made and seconded; (RESOLUTION 22-094) TO APPROVE CHECKS 13621 THRU 13634 IN THE AMOUNT OF \$86,451.60 TO BE DISBURSED FROM 1ST BANK. To avoid any appearance of a conflict of interest Director Maras abstained from the vote. The motion passed 4-0.

In reference to check 13622, issued to Denali Water Solutions, LLC, Director Peterson noted that the District would be subject to a 20% increase in 2023 for sludge removal.

A motion was made and seconded; (RESOLUTION 22-095) TO RATIFY CONSENT AGENDA ITEMS DATED NOVEMBER 11, 2022 IN THE AMOUNT OF \$7,053.73 AND CONSENT AGENDA ITEMS DATED NOVEMBER 25, 2022 IN THE AMOUNT OF \$8,022.58 AND CONSENT AGENDA ITEMS DATED DECEMBER 9, 2022 IN THE AMOUNT OF \$7,053.73 WHICH WERE PREVIOUSLY DISBURSED FROM WELLS FARGO BANK. The motion passed unanimously.

- 2.3 Adopt 2023 Budget – Director Peterson noted that the proposed 2023 Budget had been reviewed, discussed and available for public comment since the September 21, 2022 Regular Board Meeting. The following resolutions were made and seconded; THE RESOLUTION TO SET MILL LEVIES (RESOLUTION 22-096), THE RESOLUTION TO ADOPT BUDGET (RESOLUTION 22-097) AND THE RESOLUTION TO APPROPRIATE SUMS OF MONEY FOR THE PERRY PARK WATER AND SANITATION DISTRICT (RESOLUTION 22-098). The full text is attached. The motions passed unanimously.

There was no public comment.

- 2.4 Rate Increase – Director Peterson thanked the audience for participating in the Rate Increase Public Hearing. Director Peterson advised that the goal of the Public Hearing is to explain the process undertaken to analyze and prioritize the needs of the District and to answer questions from the participants. Director Peterson added that this rate increase had been in process for three years.

Director Peterson noted that when we made the last rate increase, the District was in the very early process of doing some of the work on its wastewater treatment plant (WWTP) on the west side. At that time, the District was trying to anticipate what the costs would be going forward. Since the District didn't have exact numbers, the then proposed capital improvement fee increase was reduced to \$25, with the caveat that the District would be revisiting that amount.

Director Peterson noted that the proposed rate increase would fund the 50 year old Waucondah WWTP refurbishment and improvements to the Sageport WWTP dictated by Colorado Department of Public Health and Environment discharge permit monitoring compliance requirements. Specifically, TIN (Total Inorganic Nitrogen).

Director Peterson provided the status of the four grants the District applied for.

Director Peterson made the following comments:

“The last point I want to discuss is renewable water rights. And that one is something we covered in great detail two years ago at these meetings. The District prides itself in its renewable water portfolio. Having said that, we have accumulated a fairly good base of renewable water rights. It’s been the District’s strategy to maintain those water rights – which does cost money going through water court all the time and doing stuff. And also, to grow those water rights if, in fact, the opportunity comes around. The District’s water rights are actually quite important to your property values. It’s amazing how many people, when they’re considering moving to this area, come to the water department and ask what our water is like, capabilities and that. And we can tell them that we have very good water rights and we have very good renewable water rights on top of that. So that definitely is a plus. We pump a lot of our water from deep wells, as does everybody else. And as you’ve heard, if you watch the news, slowly, slowly, slowly, these aquifers are declining in what they have. And at some point they will produce less water. Having good renewable water rights then starts to become a huge plus where you don’t have to put as much emphasis on the deep wells. You have an alternative that is replenished each year. Obviously, the deep wells do not get replenished. So our renewable water rights are very, very important.”

Director Maras made the following comments:

“Welcome everyone. I’m glad to have such great participation in our public meeting today. This is great to have that much involvement. Hopefully, we can get everybody’s questions and concerns answered so you can see what the District has been up to. I’ll talk maybe just a little bit more about some of the stuff Gary talked about on the grant money side. As Gary said, we’re still waiting on one grant and that’s through the Bureau of Reclamation. That was to fund some metering and some control systems on the east side for our water tank over there. So we haven’t heard on that as Gary said and if we get that that will help us fund some of that project and implement a better control system. Get a better idea where our water is and what we’re using.

I’ll also talk a little about the Douglas County COVID money as Gary mentioned. Known as the ARPA Funds – those of you who have kept tabs on what’s going on in Douglas County. You know Douglas County got a little over \$68 million in ARPA Funds from the Federal Government. They gave about half of that, about \$35.7 million, to water projects. Unfortunately, Perry Park will not benefit from that. But some of our neighbors did. Sedalia got some money. Louviers got money. A bunch of money went to the HWY 85 wastewater project and then a little bit of money went to the regional renewable water line. So Douglas County invested a good chunk of that ARPA money into water and we thank them for that. Just unfortunately wasn’t our day.

I’ll also talk a little bit about our rates are going up significantly. I want everybody to recognize that according to the EPA, the water people, they kind of had a rule of thumb for a number of years that roughly communities should consider water and wastewater affordable if they’re paying less than 2% of their median household income for those services. So that would be 2% for water and 2% for wastewater. As Gary mentioned, our median household income out here is a little over

\$139,000. If you look at statewide median household income in Colorado is a little over \$75,000. In most of your Federal and State grant programs, in order to qualify for a grant, in Colorado, your median income has to be in the area of \$60,000. You can see we're more than double that. 2% of our median income would be about \$230/month. So that means, according to the USEPA, our water bills are affordable if they're less than \$230/month and our sewer bills are affordable if they're less than \$230/month as well. That's \$460/month. Keep in mind, we bill every two months. That's well over \$900 per bill before EPA would consider our rates unaffordable. Hopefully we'll never see that level but want to keep it in perspective of when you see communities like Sedalia and Louviers getting ARPA money, getting Federal and State grant money. You look at their median income, they're down below that \$60,000 level pretty significantly. That's why they get all that help. God bless them and good luck. Unfortunately, we're not going to win the day when we're going up competing for grants against those folks.

I'll talk a little about the WTP on the west side, Waucondah. So those that live over there, we've had some complaints about odor and noise. We've had some performance issues over there. We've spent about \$557,000 over there the last two years making some improvements, some of the infrastructure over there. We've added a bunch of air blowers to the treatment process, which has helped with some of the performance issues we've had. We're planning on making some generator (improvements), (and) some improvements to the UV disinfection process. The main project over there is what's known as a digester. And for those of you who are familiar with the treatment plant over there, as you drive by, by the road, you'll see that building with the tepee roof on it, wood roof – that's currently what's called the digester over there. That structure, that little piece of the system, was never designed to be a digester. It was designed to be something else. That's the oldest part of the treatment plant. That's part of the original plant when the community over there started. And over time, as we added on to that plant, through multiple processes, that unit, that building was converted to be a digester. It's not meant to be a digester, it doesn't perform very well as a digester. That's what the big project is over there is to literally build a new building that will be a digester that will incorporate that into the process. We expect that to cost up to \$9 million. We've been working on this project with our engineers, trying to get the state to approve our plans for about 2 years already. We're hoping in the next year that project will be able to go forward. And again, that will be part of the debt issue that we'll be doing that is tacked to these rate increases. Again construction on the west side is driven largely by age and some of the noise and odor issues that we've had over there.

On the east side, the Sageport plant, where I live on the east side, as Gary mentioned the wastewater plant is coming under some new discharge permit limits issued by the state of Colorado. As Gary mentioned, the plant over there currently does not do a good job of reducing nitrogen. It does some but it's not going to be adequate for this new permit and the discharge limits that we're going to have. So as a result of that, we're going to build literally another building that will be inserted kind of into the process over there on the property. It will become part of the new treatment train so to speak. And that new building will then remove the nitrogen out of the wastewater stream so that we can discharge into Plum Creek and meet our new permit limit issued by the state. So again, we're expecting at this point that project will cost up to \$6 million. We're literally under, not a consent decree, not

under a court order by the state, but we are under a requirement to make this improvement because we got behind schedule. The state has already set a schedule for us to complete this project and we got behind when we took the time to try to get Jellystone involved. Because of the delay that that occurred, the state has given us some extra time now that Jellystone has waived us off. So we can proceed on the project with just our piece of it. But, again, we're under a strict timeline to get this done and upgraded so that our permit that we're going to be subject to can be met with the discharge. So again, the project includes adding a process for nitrogen removal over on the east side. The need for this driven by the state of Colorado issuing a new permit for us that will allow us to continue to discharge into Plum Creek. Waucondah does not have a similar requirement because Waucondah discharges on the other side. So that plant currently doesn't have that nitrogen limit. The plant over there, as it stands, does a little better job than what the east side plant, Sageport, does. We're not going to be surprised if somewhere in the not too distant future that Waucondah comes under a similar permit change. We'll keep our fingers crossed and hope for the best. Waucondah is driven by a need to improve because of age, Sageport because of permit requirements."

Director Arthurs made the following comments:

"I'm a CPA, Treasurer and member of the Board for the past 3 years. In addition, just like you guys, I'm a bill paying customer at the PPWSD. For the past 3 years, we've been studying the amount, planning the necessity of the rate hikes. Through the process, the District Manager and I, Diana Miller, we've participated in numerous conferences with experts in rate analysis, capital funding and other areas of concern."

Justin Rasor made the following comments:

I'm a manager at Raftelis. I've been in the water, wastewater rate study business for over 10 years. I've spent 2 years actually at a utility so I know some of this can be tough in trying to decide what projects to build and really moving things forward. What I'm going to discuss today is basically the rate study process, any financial plan assumptions we've put together. Looking at the combined utility financial plan for the next 5 years and then a rate and typical bill comparison. Now one of the things I wanted to say is that these are just projections that at the 5 years, as the board members have already stated, the costs have gone up and increased and a lot of things have changed. We're pretty confident that the next 2 years that we have dialed in these rates is something you can expect. Some of the folks that have helped me with this is D.A. Davidson, Andrew Wheeler and Patrick (Colleran). So if they need to chime in, they can, or they can wait til the end. I'm going to walk you through our whole process. This has been ongoing for quite a while and we wanted to get it right.

What does PPWSD fees – they must pay for funding operations, all your capital growth. And then there's a few things not directly related to O&M expenses – that's debt service coverage and reserves. We want to be financially stable and be able to have a utility that we're not going to have to worry about funding things long-term. So how do we do that? We put together a financial plan and we designed rates to really not only work on revenue stability but look at the long-term picture in the future. A little bit about this industry. When we go set rates, we follow some

principals by the AWWA. They've set some guidelines to help set rates fairly and equitably and we also look at the WEF which is for wastewater systems. And then we also wrote a book ourselves. So we follow these as guidelines and that's what they are. We look to really make things affordable or equitable for everyone on the system.

So how do we do that? There's a lot that goes into this. First off, we look at financial plan inputs. We look at all the billing data. What's the account growth been? How's the usage per account? What's the operating expenses? What's your current balance? We tie that in with what we're talking about now and why these costs are what's really driving these increases. It's the capital funding. What can we afford with cash and what can we afford with debt? Also the policy issues that I mentioned. Not policy issues, but targets. So reserves set in at 90 days and debt service coverage. These are, again, to protect the utility to be financially stable. That all equals the cash flow. So we'll see a minor cash flow here in graphs and we built a model for that. The next step is the revenue requirement – what it actually costs. And what do we need exactly to cover our costs? We're not a for-profit, invest run utility. Everything we take goes directly back into the system to pay for O&M.

Some of the assumptions that were already mentioned in detail is the Sageport WWTP. Now this is the Colorado Department of Public Health regulation. They've changed the discharge limits. We're seeing this throughout Colorado that utilities are scrambling to pay for this. This is not something that anyone can be prepared for until they're passed and then you try to keep up with the regulations. Next is the Waucondah WWTP. As mentioned, it's about 50 years old and you really need to replace it after 50 years. So they are doing a complete refurbishment. Then the next one is the Glen Grove WTP and major update. It's to treat more of that renewable water.

One of the things I put in here, just discussing, there was some conversation about maybe selling the water rights. This is what we're seeing for sales in Colorado for water rights per acre foot – getting up to \$90,000 per acre foot. Water is getting more and more expensive. We're seeing this as people come late to the party and need water rights – they're paying a lot more. And we're seeing it with a lot of our clients scrambling to get water supply where they have put it off. Just to reiterate, Gary's point that would probably be a bad idea to sell those to fund these projects as water has gone exponential since 2018.

So what are some of the assumptions we include? We did maintain an operating balance of 90 days. Debt service coverage requirement of 1.25. And then what's in our model is two debt issuances. One of \$12.5 million in 2023 and one of \$5.7 million in 2027. I don't know if Andrew would like to speak on any of those. He can at the end or right here. But if you have questions about the terms and everything.

But we've looked at a lot of different options here and we ran them through our model and what we did was come up with what would be the best option. If we do nothing, this is what's showing on the screen. You have your operating costs here and your revenues are right here. So if we don't increase rates we're definitely having a deficit and then we'll draw down on our reserves. Basically, our fund balances will go negative in 2024 if we do not issue debt to fund these projects. So what we did do is put together rate increases at the very minimum would need to

recover 90 days reserve and debt service coverage. And so we have the revenues now tracking with expenses that include the debt service. And then we're just meeting our target reserves. And same with that service coverage. This is if no rate increases are done and this is how we're trying to maintain our coverage requirements.

So what does that look like? Now you're used to receiving your bill bi-monthly so what we've done is included this. In your average customer is 11,000 gallons. And that's for the 2 month period. What that equals out to is \$279 bi-monthly bill is what your new bill will be. And the increases related to those costs are water increase to 5%, capital improvement fee is going up 60% and wastewater rate increases are going up 30%. We ran a lot of scenarios to try to maintain the balance of really, can we meet coverage and do we have enough revenues? So there is an increase more in the wastewater because that's where the costs are really needed to be shift. As we move onto the water plant, we'll have to increase water in the future.

So broken down by component – the capital improvement fee, which Gary talked about, needed to go to \$50 a few years ago is now going to \$66.46. That's a \$24 increase bi-monthly. And then your water rates, the base charge is only going up \$3.18 and all the tier rates are going up as shown on the screen. Wastewater bi-monthly rate currently is \$87.67 and will jump up to \$113.97. It's a \$26 increase bi-monthly.

We always get 'how does this compare?' Every utility is different but what I can say about Perry Park is there's a lot of costs and investment that needs to be done. But there is less of a denominator to spread that cost over. So the community is pretty small so that's why you see the larger increase is needed to pay for those 50 year old plant, new discharge requirements and new expansion of the WTP.

So how do we compare? Based on an average customer, looking at your billing data, this is how we compare. So we took this from bi-monthly to monthly just to do an even comparison and what you would see if you were billed monthly and how you compared to your peers. Now as you can see a lot of the higher rates are for utilities within Douglas County but then lower populations, lower units spread the costs over. So what we have here is 5,000 gallons of water and 4,000 gallons of wastewater is a winter average we typically see in the bill. So the bill, currently, if you were looking at it monthly is \$111 would go to \$139. As I mentioned, a lot our clients are scrambling for water. We're having to keep up with new EPA guidelines or having to make investments they put off. And there's not a lot of economies of scale so we'll see all these other utilities on this go up as well. It's just only a matter of time."

Director Lucas made the following comments:

"We have not drilled a well, I believe, since 2004 and all of our deep wells are on the east side of the District. And we had one deep well over on the west side on the District. That well failed a while back. Before it failed, the radium in the water was too high so it was only being used for emergency use. And after it failed, of course, we can't use it at all. So the need to drill another deep well on the west side of the District was obvious. Because we're dependent completely on that east/west pipeline that runs from the east to the west. And if that pipeline were to fail, the only

water we would have over here on the west side of the District would be the renewable wells that you see down at the front of the park along 105. So that well was drilled this last year and the results that were given to me from Level Engineering looked very good. They don't see any radium. Although the final test results are not in. And so we should be able to use that well to produce drinking water and pump it straight up to the tanks here on the west side. And that would reduce the dependence on the east/west pipeline. So we'll know in the next month or so for sure what it's going to produce. But the initial test was very good. So I guess that's a good summary."

John Meyers Questions:

"This is John Meyers. I live in Hidden Forest. I called in back in April 2021 during our last rate increase. You might remember. To start with, I'm not opposed to the rate increase. I understand the need for it. But a couple things I wanted to clarify. For the line of credit or loan for \$12.5 million, what's the payback term on that? And what kind of interest rate do you think you're going to get along the same lines, we currently have a cash fund balance beginning of 2023 of about \$5.3 million. How much are you going to draw that down before beginning to pull on the loan??"

Andrew Wheeler made the following comments:

We are essentially modeling kind of build up so that way debt service in the first 2 years isn't at the highest level – just so the rates will slowly go up rather than a one lump sum increase. We are trying to be very conservative in our estimates and we have been running these at about 5.5% interest rate. I would say our estimate is somewhere around 100 basis points above what we would anticipate. As we've seen the 10 year treasury drop significantly over the next several weeks. And we anticipate some stability as the Fed noted today in their speech of only increasing rates 50 basis points as opposed to 75 basis points we've seen. But again, we were trying to be very conservative and hope that whatever we're modeling, we want to be able to actually reduce the impact on rates rather than have to come back and ask for more.

Some of the other items Justin touched on in terms of assumptions we're making in the District's cash flow. We're going to send this information along with the rate study out to potential lenders. A lot of requirements that we see currently is how we modeled this. So one of those assumptions you saw is the 1.25x debt service coverage. All potential lenders aren't just going to say you've got just enough to pay back the loan. You want to have a little bit of cushion in case there's non collection or whatever happens there. We're going to have 1.25x coverage on the loan and then we're also targeting a 90 day cash on hand reserve that the District would keep in hand just in case there are any operating issues or emergencies that would arise. The surplus beyond that would essentially go the Capital Projects Fund. It could be for Capital projects which just reduces the amount the District has to borrow long-term because it could use cash to fund some of those projects. However, if there is a need you could obviously use those funds for emergencies if that should be the case."

Todd Jacobson Question:

“My question is on the water waste and the 37% that were unaccounted for. I understand we have a lot of water but the waste of the water is my concern considering the price of water has gone up considerably in your presentation. So the question is how do we account for the lost water or find the lost water or the number of the trucks that come to the back of the park to fill their tankers with water. Are they being accounted for? And why do they always have to come to the back of the park to fill up when they pass by other fire hydrants?”

Director Peterson made the following comments:

“Let me start it out covering a few things and then I’ll have Diana talk about the trucks that come to get the construction water. Cause the construction water is really pretty minor in the scheme of unaccounted for water. The first thing I want to address is the 37% number – it’s a bogus number. It was brought up two years ago. There is no way of determining whether it’s 37% or 10%. There was some broad estimates that came out the last time. But it’s not a good number. It’s a terrible number actually. Just to give you some perspective – following the last meeting we had and addressing that topic, the District has done a lot of work to check and determine where we might be losing water. Mr. Maras I’m going to turn this over to you in a few minutes just to talk about the work we’ve done on the pipes to ascertain if we had any leaks in the pipes. I’ll let you cover that piece. But the place where we lose the most water is when we have a water line break. In 2021 we had 8 water line breaks. The estimated gallons lost on those were 177,500 gallons. And that’s just a gut estimate based on the time that we knew water was running and when it was able to be stopped. So those are just really rough estimates. In 2022, we had 11 water line breaks and that equaled perhaps 155,800 gallons that were lost. Once again very general estimates based on the amount of time we felt that things were open. So in total, just in the last 2 years, that’s 333,300 gallons lost from that. And if you were trying to price it out it would be \$265,000 of water. But those are things that happen that you can’t fix in advance or even do anything really to negate that. I mean what’s causing these water line breaks particularly over in this geography that we’re in is soil moving over periods of time where eventually with the soil moving and it breaking the saddle off pipes or something like that underground. It’s not like the pipes are rotting or anything like that it’s just that due to ground shift it happens. And it happens to all water districts everywhere. And just to give you some perspective we had one area in the District over on Fox Circle where we were having a lot of these. Probably about 10 years ago actually were breaking rather consistently. And at that time the Board decided rather than to keep trying to fix these over there, it’s actually a real problem with the ground over there. And perhaps we replaced all those pipes and redid everything over there we would reduce that. And we did. And it did reduce the breakages. With that said, we still had one or two breakages even after having done that in that area. Because the ground is moving more.”

Director Maras made the following comments:

I think most of our breaks occur over on the west side. Again cause its, that pipe was put in the ground a long, long time ago. And the specifications for putting pipe in the ground were different back then than they are now. Obviously, anything going in now with some of the LID’s we’re doing, being installed it’s going to be a long,

long time before there's any issues there. Again, we don't have many leaks on the east side because the system over there was put in the ground during a different time frame, different specifications, just less issues. So we were concerned that maybe we could do something more to find some of these leaks before they happen. And if you were on the line here while we went through our bills, you notice that one repair on Country Club Drive cost \$31,000. Well when you call people out at midnight and have to be there for 3 or 4 hours, it's real expensive. The District hired a company, a different kind of company. The technology is getting better. A well recognized company locally that does leak detections. Literally put a microphone between two parts on the pipe and they listen. They listen for leaks. Well we did a leak detection on both sides of the system and we found about a dozen leaks, I believe. Mostly on the west side if my memory's correct. They were all small leaks. And the end result there was we were able to get those leaks fixed between 8 and 5, normal work hours, so it didn't cost \$30,000 to fix. We fixed those leaks that were identified and we feel pretty comfortable with that. We don't have a lot of water disappearing through leaks. Before we did the last rate increase, also if you were around then, we had done a study by an engineer to do additional metering. The engineer identified some areas where we could do better metering and try to get a handle on where our water was going. You know, for backwashing the water plant or water use at utility, the wastewater plant – some of those areas where they're not metered right now. Part of the grant application that we got into the Bureau of Reclamation would help us address some of those issues. Of course, we're working with another company about replacing water meters in the system and see if that would help us. So we're working on things. But again, the bottom line is anything we do to make things better, cost money. So we're trying to be as diligent as we can. We felt the things we've done was a wise use of money that was \$20,000, \$25,000 and it did help us repair about a dozen leaks. Small ones that they identified. We did get those fixed and we're feeling much better about our leak issue. And it's not necessarily the leak issue but more unaccounted for water and we think we're down where we can get some additional funding back in the system and put meters on the backwash system and the one at the wastewater plant. That would get us closer and closer down to where we have a more reasonable number for unaccounted for water. It's not lost, it's not leaking. At this point it's not accounted for totally because the metering. That's all I have Gary.

Diana Miller made the following comments:

“First off I wanted to also say that the reason why the trucks go to the back of the park, typically on Country Club Drive, the unpaved section, is because that's the least disruption to the other users in the system. It also cleans out the line. So that's why we direct people to go to the hydrants on Country Club Drive – the unpaved section. And then also the one at the school, the elementary school on the east side. As far as how we bill. Douglas County - we bill by truckload for each individual truck. The supervisor calls in the (usage) data once a month. That's billed at a commercial rate - an escalating rate. That is proposed to change to a flat rate of \$25 per thousand gallons. Other users use a meter that is provided by the District or tested by the District. And we bill those at the same rates.”

Brett Nelson Questions:

“I was asking about the BLM Grant and in regards to the grant, what is the timing of the grant for approval or disapproval? And then, if approved, would the proposed rates be adjusted or would they stay?”

Another question is that it seems like you guys have done extensive research. As a basic question, is the District sharing in any of these cost increases to the customer or is it total pass through to the customer itself?”

Diana Miller made the following comments:

“The rates would stay. Basically, the BOR Grant is to work on water loss in the District. It’s for the School House tank and the Sageport WTP to process automatically, to not overflow the tanks. It’s a totally separate project that’s not included in the grant. It’s not included in the rate increase.”

Director Maras made the following comments:

“The grant is \$50,000. It’ll help but it’s not going to be enough to change what we’re doing here today.”

Director Peterson made the following comments:

“First of all, we’re a non-profit district. We’re all in this together. There’s no profit line at the bottom for the year or anything like that. We try to – we pass the budget we try to stick to it. And we do a very job of not going over that budget each year. There was one year we had to make a slight adjustment but otherwise we’ve been very much targeted sticking to the budgets that we set. So if there’s excess monies that come in in a given year, it just kind of pads the account. And that’s somehow, in many ways, how we’ve gotten to the point where we have over \$5 million available to put towards some of these projects now. We’re just not doing rates to meet the current costs of everything. Yes, we do identify what our current costs are and the rates are set accordingly. With that as we experience those increases. But then we also are looking out into the future as to what capital projects are way out there. And the one we briefly mentioned was the Glen Grove WTP, which is probably 5 years down the road. But that one would be for improving our utilization of our water, our renewable water, and not having to pump as much regular water. The monies move around depending on what’s needed and what happens. It’s not like it’s a profit or loss situation.”

Lowell Johnson Questions:

“I have two questions. If the Waucondah WWTP is at the end of its life, what was the rationale for tying in Wiens’ development where he originally had it on the north end of his property and he was going to do his own wastewater treatment plant? And the second question is, is it correct that Wiens has his water sewer rates locked in subject to these increases?”

Director Peterson made the following comments:

(Mr.) Wiens has nothing locked in. His people, when their homes are built, they pay whatever the rates are at the given time. When the houses are built, those houses, they will pay whatever the current rate is for a tap fee and other fees that are

associated with the construction of their property. So none of that. And once they hooked up, they are paying the same rates that everybody else is paying at the same time. There's no special deal. Just to add a little extra insight to that because there's just a bunch of bad information going out there, not knowing what you heard as far as (Mr.) Wiens. The Wiens project, this kind of answers your other question, the Wiens project has actually been very good for the District. It's not a bad thing. (Mr.) Wiens is building 91 units. He can only build 91 units because he joined the District to build 91 units. And that's what he was allocated. To join the District, (Mr.) Wiens had to give the District a lot of his water rights that he has on the ranch. So the District acquired additional renewable water rights from the Wiens ranch in our portfolio. So essentially, he gave us water so we can sell him water. And it's only 91 units. That's the other beauty. This has all in structured, recorded with the District with the County. If (Mr.) Wiens, say 10 years from now or 20 years from now, sells his ranch, goes away and some developer buys that property – they really can't develop it anymore. The deal's been made. It has reduced what could at some time perhaps of gone in and it's given extra water to the District. And the other piece that it has done, as you heard earlier through the presentation by the Raftelis people and the rate setting, is that it adds additional customers to the bottom line – that denominator that share in the cost of these extra expenses. They're not putting that much extra utilization on the wastewater treatment plant. The WWTP is still able to handle what they do. We're not redoing the WWTP because we have to take them on. The WWTP, I forget what the efficacy of what level we're operating at right, but I think it's around 60% or something like that."

At the conclusion of discussion and Public Comment a motion was made and seconded; (RESOLUTION 22-099) TO ADOPT THE 2023 AND 2024 RATE INCREASE AS PRESENTED.

Residential Rates	Current Rate	Proposed 2023 Rate	Proposed 2024 Rate
Water Base Rate	\$63.53	\$66.71	\$70.04
1,000 - 10,000 Gallons	\$2.43	\$2.55	\$2.68
11,000 - 33,000 Gallons	\$6.74	\$7.08	\$7.43
34,000 - 66,000 Gallons	\$8.67	\$9.10	\$9.56
67,000- 133,000 Gallons	\$11.04	\$11.59	\$12.17
Over 133,000 Gallons	\$14.72	\$15.46	\$16.23
Capital Improvement Fee	\$41.54	\$66.46	\$71.78
Sewer Base Rate	\$87.67	\$113.97	\$142.46

Commercial Rates	Current Rate	Proposed 2023 Rate	Proposed 2024 Rate
Water Base Rate	\$63.53	\$66.71	\$70.04
1,000 - 9,000 Gallons	\$2.43	\$2.55	\$2.68
10,000 - 45,000 Gallons	\$7.60	\$7.98	\$8.38
46,000 - 100,000 Gallons	\$9.76	\$10.25	\$10.76
101,000 -200,000 Gallons	\$12.44	\$13.06	\$13.72

Over 200,000 Gallons	\$16.57	\$17.40	\$18.27
Capital Improvement Fee	\$33.27	\$53.23	\$57.49
Sewer Base Rate	\$46.70	\$60.71	\$75.89
Restaurant Rate	\$6.97	\$9.06	\$11.33
Other Rate	\$4.08	\$5.30	\$6.63

Other

Tap and Development Fees		3.00%	3.00%
Construction Water (per 1,000 Gallons)		\$25.00	\$26.00

The motion passed unanimously.

2.5 Audience Participation – There was no additional public comment.

2.6 Board Member Discussion Items – There was none.

3.0 Adjournment - A motion was made and seconded; (RESOLUTION 22-100) TO ADJOURN THE REGULAR MEETING. The motion passed unanimously. The meeting adjourned at 15:53.

Secretary, James Maras