

**MINUTES OF THE BOARD OF DIRECTORS MEETING
CLIFTON WATER DISTRICT
December 14, 2023**

BOARD MEMBERS PRESENT: Mel Diffendaffer, Dan Mcelley, Michael Slauson, Wesley Davis & Nick Genova.

STAFF MEMBERS PRESENT: Jessica Isley, Jacob Lenihan, Eric Schoeny, Ty Jones, Michael Simpson, Jennifer Pettingill, Mark Dalley, Stephen Silva, Isaac Brown, Kyle Bishop, Brandon Edmonds, Stephen Silva & Rene Fick.

GUESTS PRESENT: Jamie Hamilton, CEO Home Loan Insurance.

Chairman Diffendaffer called December 14th, 2023 Regular Meeting to order at 5:01pm.

INSURANCE RENEWAL:

Manager Jones welcomed Jamie Hamilton to the meeting and discussion ensued regarding changes in the District's insurance renewal policy. Jamie provided a renewal comparison for 2023-2024 & 2024-2025 and updated the Board on recent changes in the industry relating to wildfires, the increase in cost of rebuilding, and flooding. He noted that the biggest increase for the District was due to workmen's compensation claims but added that overall loss control from the management team has been phenomenal. Vice Chairman Mcelley noted that in preparing the FY2024 budget, an increase was expected. Chairman Diffendaffer noted that they were expecting a much higher increase than the one presented.

PUBLIC HEARING:

Chairman Diffendaffer called to order the public hearing at 5:08pm to consider the proposed FY2024 budget, in accordance with §29-1-106 C.R.S. No comments on the published budget were received and no members of the public were present. Chairman Diffendaffer closed the public hearing.

REGULAR MEETING

Resolution 2023-06 - Adoption of the FY2024 Budget and Resolution 2023-7 - Appropriation of Revenue to the FY2024 Budget. - Finance Manager Isley outlined some updates that have been made to the FY2024 budget. These include a revision of auditing costs, combining the system investment fee and the base rate, and minor changes to some expense items. Chairman Diffendaffer questioned the estimated \$8 million in revenue and whether that was based on sales. Finance Manager Isley responded that this estimate was calculated using 2022 usage at the 2024 rates and then reduced by 12%. Discussion ensued on the contingency fund with Finance Manager Isley explaining that transfers involving the contingency fund used to be made throughout the year and will now be made once a year, at the end of that year. Chairman Diffendaffer questioned the need for a reserve fund *and* a contingency fund. He also questioned the zero ending balance. Finance Manager Isley explained that the State requires a balanced budget – it cannot have unallocated funding, nor can it show more spending than what the District is expecting to earn. Vice Chair Mcelley noted that the reserve fund, contingency fund, and depreciation numbers should be separated out. Chairman Diffendaffer requested that the reserve fund line item be name renamed to Obligatory Reserve Bond. Finance Manager Isley responded that the bond matured on December 1st, 2023 and it can be rolled into the contingency fund. The 2014 revolving fund loan is all that is left.

Vice Chairman Mcelley moved to adopt Resolution 2023-06, Adoption of the FY2024 budget, seconded by Director Genova. Motion carried unanimously.

Chairman Diffendaffer moved to adopt Resolution 2023-07, Appropriation of revenue to the FY2024 budget, seconded by Vice Chairman Mcelley.

MINUTES OF NOVEMBER 9, 2023, REGULAR MEETING:

Treasurer Slauson moved to approve the Minutes of the November 9th, 2023 meeting, seconded by Secretary Davis. Motion carried unanimously.

FINANCIAL REPORT:

Treasurer Slauson moved to approve the Accounts Payable checks to the amount of \$406,549.75, seconded by Secretary Davis. Motion passed unanimously.

FINANCE DEPARTMENT REPORT:

Chairman Diffendaffer commented that the November revenue was going to be only 82% of what was budgeted for and that it appears that there will be an overall \$1.7 million shortfall. Finance Manager Isley responded that around July it became apparent that the revenue forecast would be falling short around 10% to 20%. She added that there has been a decrease in expenses and predicted that the District will end the year well. A substantial amount of taps were sold in November which helped on the income side. Manager Jones added that they started talking about cutting expenses mid-year when the realization came that they may have overestimated revenue.

Banking Updates – Finance Manager Isley stated that due to a recent change in the website platform used by the District’s bank, the shared account with Clifton Sanitation can no longer be used to deposit or withdraw fees collected on Clifton Sanitation’s behalf. Payments will now need to be made via ACH or wire transfers. Staff is requesting that this bank account be closed and added that current balance is zero.

Finance Manager Isley informed the Board that one of the vendors working with the District’s bank was hacked and information on the sweep account had been included in the data breach. The data was encrypted but the bank is offering one year’s worth of positive pay at no cost to the District for the sweep account. This program provides an opportunity to review items for fraud and to verify recipient endorsements. The process involves sending a data file to the bank listing information on checks issued, including payment amounts, check numbers, account numbers, and recipient details. Should anyone try to cash a check for a different amount than listed in the data file or try to cash a check that has already been cleared, it can be caught before the cash is distributed. Finance Manager Isley requested to add the Accounts Payable and the Payroll accounts to this program at a cost of \$120 for the first year. Director Genova agreed with this request, taking into consideration rate of check fraud occurring. Chairman Diffendaffer was also in agreement.

Audit Master Agreement & Statement of Work – Finance Manager Isley provided some details on the recent documents received from Clifton Larson Allen LLP. The fee amounts outlined were anticipated and the agreement is valid for six years. She added that payment will be split into three parts with 1/3 due upon consensus on the Statement of Work. The next 1/3 payment will be due at the start of fieldwork (around the end of January 2024) and final payment is due once the audit has been delivered.

2023 Budget contingency transfers – Finance Manager Isley provided details on the budget transfers being requested. These include:

- \$35,000 to Administrative Contract services for the 2022 audit (due to length & complexity of audit), monthly fees attached to the new software system, expenses involved in updating

the District's website (in order to be ADA compliant) and the outstanding contract balance with the previous software provider.

- \$7,000 to Distribution Utilities due to higher electricity costs than budgeted for.
- \$20,000 to Distribution Vehicle expenses due to a lack of regular maintenance in previous years, aging vehicles, and a general increase in the cost of repairs.
- \$4,050 to Water Treatment Plant rent expenses for equipment rental.
- \$20,000 to District-wide Operating expenses for postage and unexpected costs associated with the software conversion & bill printing.
- \$16,000 to District-wide Utilities expenses for the unexpected cost of data plans needed to keep the Distribution team's iPads connected to the internet.
- \$35,000 to Campus upgrades for the final costs to the front office upgrade.

Discussion ensued and Assistant Manager Lenihan noted that they should be caught up with vehicle maintenance and that a replacement schedule has been set up. Chairman Diffendaffer moved to approve the contingency transfers, seconded by Secretary Davis. Motion carried unanimously.

HR DEPARTMENT REPORT:

Staff Training & New Hires – HR Director Pettingill noted that staff training on trenching & shoring has been completed. She added that they are working with Clifton Fire Department for possible training in January, but the details are still being sorted out. One of the new Customer Service Representatives has handed in her resignation. Due to the short amount of time between the interviews and her resignation, it was possible to reach out to one of the interviewed candidates and fill the position right away. The two Distribution Technician positions have also been filled from what appeared to have been a great hiring pool. Chairman Diffendaffer commented on the increase in overtime. HR Director Pettingill explained that this was partly due to an increase in leaks, which resulted in more hours worked, alongside an increase in wages. Distribution Supervisor Dalley noted that there has been an increase in leaks after-hours that contributed to the higher overtime hours. Assistant Manager Lenihan added that another contributing factor is the

amount of service line repairs done. HR Director Pettingill noted that overtime costs could continue to increase due to aging infrastructure.

ENGINEERING/CONSTRUCTION DEVELOPMENT REPORT:

Engineer Schoeny provided updates on the Mesa County projects.

E & 32½ Road and the D ¾ Road – These projects are still expected to go out to bid in early 2024 with a start date of April 2024. The D ¾ project consists of a few hundred feet of 8” main line.

E & 31 Road – The preconstruction meeting was held on November 14th and K & D Construction started work on November 27th. The cost estimate from the county vs. the final cost was quite different and Distribution Supervisor Dalley has been providing assistance using District crews in order to help reduce the cost.

Plant Control System, Effluent Pump and MCC Replacement project - Work is ongoing with CDM to determine the final project scope, schedule, and fees.

Master Planning for the Water Treatment Plant site – The next steps are to evaluate the existing gravel pond for use as a raw water source. This will involve water quality sampling & hydrology. Discussion ensued and a map of the property outlining the different areas was reviewed. Vice Chairman Mcelley asked about testing other water areas on the property. Engineer Schoeny noted that the pond is not connected by surface to the river, but he suspects it is connected hydrologically. A part of this project is to determine how the pond is filled & its capacity. The water quality will be tested after the pond has been drained & filled. This will ensure more accurate results as the water has been sitting for some time. Vice Chairman Mcelley moved to authorize Manager Jones to execute the contract in 2024, pending review and not to exceed \$112,000, seconded by Director Genova. Motion carried unanimously.

New development fee discussion – Engineer Schoeny provided a breakdown of costs to the District as part of the process to provide service to new developments. He used five recently reviewed projects as a reference and these costs generally consist of engineering review & construction inspections. He stressed that this fee option is merely a point for discussion and no Board action is requested. It was noted that Mesa County used to charge a type of development fee but ceased to do so during the housing bust. Vice Chairman Mcelley expressed caution, noting that the District does not want to be the leader on the charging of development fees, nor become a utility provider developers try to avoid due to such fees. He questioned the size of developments lately as it seems they are not as big as they used to be. Director Genova responded that when rates go down again, the District may very well not have enough staff to do all the work necessary with new

developments. Engineer Schoeny stated that expansion of the District is a good thing but once the development is completed, the District assumes a substantial cost responsibility. The project reviews and inspections are necessary to ensure the new water lines meet the District's requirements. Assistant Manager Lenihan added that a discussion will be needed on how developers extend their main line, resizing, and service to Whitewater.

OPERATIONS:

Water loss in Whitewater – Assistant Manager Lenihan was happy to announce that the leak has finally been located. The culprit was a tree root that had breached the pipe. Once the leak was fixed, the Desert Road Pump Station started functioning as it should, shutting off when the required pressure was reached. Flow data is already indicating that flow from the pump station has been greatly reduced since the fix and further adjustments to the pump may be needed to regulate the on/off cycle. Distribution Lead Silva noted that the valves in this line were functional & in good shape.

Chlorine Safety – A small chlorine leak occurred on October 30th which triggered a full evacuation. Assistant Manager Lenihan stressed that this was a minor leak and that it had been contained quickly, with no injuries. The incident did, however, highlight the need for a revision of the evacuation procedure. A Standard Operating Policy has since been drafted and provided to all staff. Updates include staff text notifications and clarity on how & when an evacuation will be triggered. A monitoring point has been set up in the canal building so that chlorine levels can be observed from a safe distance.

Unregulated Contaminant Monitoring Rule (UCMR) 5 – Assistant Manager Lenihan explained that there has been a large push to regulate polyfluoroalkyl substances (PFAs). The EPA has determined that PFAs can have adverse health effects, but this has not been widely studied. To date, this contaminant has not been detected in either the river water or the finished water.

MANAGER'S REPORT:

Capital Investment Counsel – The District's investment portfolio is currently being managed by Charles Schwab. Chris Johnson has been the District's financial advisor since 1996. He left Schwab in August 2023 and has since opened his own firm, Capital Investment Counsel (CIC). Chris has requested that the District move its advisory services from Schwab to CIC. Manger Jones explained that nothing will change with the investments – they will remain with Fidelity and there will be no change in assets or account numbers. CIC will also honor the fee discount in place since 1996. Director Genova moved to authorize Manager Jones to execute the agreement with CIC, pending a review by the District's attorney, seconded by Treasurer Slauson. Motion carried unanimously.

West Slope Strategies, LLC – Manager Jones is requesting Board approval to sign an agreement with West Slope Strategies, LLC. He added that this expense was included in the budget and that the fee was reduced to \$4,000.00. There was general agreement that the services provided by West Slope have been to the District’s benefit. Treasurer Slauson made a motion to authorize Manager Jones to execute the contract with West Slope Strategies, LLC, seconded by Secretary Davis. Motion carried unanimously.


Colorado Water Congress 2024 Annual Convention & Membership meeting – Manager Jones provided some information on this event and added that the travel budget has been increased so that Board members can attend. The conference will take place from January 31st to February 2nd at the Hyatt Regency Aurora Conference Center in Denver.


ADJOURN MEETING:

Meeting Adjourned at 7:36PM

ATTEST:


Melvin Diffendaffer


Dan Mcelley


Michael Slauson


Wesley Davis


Nicholas Genova