

***CENTRAL WYOMING REGIONAL WATER SYSTEM
JOINT POWERS BOARD***

MEETING PROCEEDINGS

May 16, 2023

A public meeting of the Central Wyoming Regional Water System Joint Powers Board (Board) was held Tuesday, May 16, 2023 at 11:30 a.m., in the Joint Powers Board Conference Room, Regional Water Treatment Plant, 1500 SW Wyoming Boulevard, Casper, WY.

Board Members Present - Chairman King, Vice-Chairman Bertoglio, Secretary Waters, Treasurer Cathey and Board Members Knell, North and Pollock. Board Member Sabrosky was absent.

City of Casper – Bertoglio, Cathey, Knell, Pollock, Andrew Beamer, Bruce Martin, Jill Johnson, Tom Edwards, Mark Anderson, Janette Brown

Natrona County – North

Salt Creek Joint Powers Board – King

Wardwell Water & Sewer District –

Pioneer Water & Sewer District – Waters

Poison Spider Improvement & Service District –

Wyoming Water Development Office -

Sandy Lakes Estates –

Lakeview Improvement & Service District -

33 Mile Road Improvement & Service District –

Mile-Hi Improvement and Service District –

Central Wyoming Groundwater Guardian Team (CWGG) –

Others — Charlie Chapin – Williams, Porter, Day & Neville, P.C.

The Board meeting was called to order at 11:35 a.m.

1. In Announcements, Mr. Martin stated that today is Mr. Beamer's last RWS meeting, as he is retiring June 16, 2023. The Board congratulated Mr. Beamer on his retirement and thanked him for his many years of service.

2. Chairman King asked for a motion to approve the minutes from the April 18, 2023 Regular meeting. A motion was made by Board Member Knell and seconded by Board Member North to approve the minutes from the April 18, 2023 Regular meeting. Motion put and carried with Treasurer Cathey abstaining from the vote.
3. Mr. Martin informed the Board there were no additional vouchers added to the voucher listing that was sent out in the agenda packet.

Mr. Martin stated that voucher 8576 for Sage in the amount of \$1,125.00 is for the annual software renewal for BusinessWorks.

Mr. Martin stated that voucher 8579 for Energy Laboratories, Inc. in the amount of \$96.00 is for metals testing for the WTP Raw Water Intake Pipe Recoating Project.

Mr. Martin stated that voucher 8580 for Energy Management Corporation in the amount of \$6,954.33 is for labor and materials to wire the High Service Valve Actuator replacements.

Mr. Martin stated that voucher 8581 for Intuit Market in the amount of \$222.66 is for checks for the RWS Operations account.

Mr. Martin stated that voucher 8574 for the Casper Star Tribune in the amount of \$566.16 is for the second advertisement for bid of the WTP 42" Steel Waterline Replacement Project No. 21-045. Mr. Martin stated that there were no bidders on the project either time it was put out for bid as contractors are unable to get pricing on 42" pipe. Mr. Martin stated that a meeting will be held later this week to determine where to go from here on this project.

Treasurer Cathey asked how it will affect advertising for projects since the Casper Star Tribune will only be printing three days a week starting June 13th. Ms. Brown stated that the Casper Star Tribune will only be printing on Tuesdays, Thursdays, and Saturdays, but will have the online advertisements and stories all week, so it should not impact advertising projects too much. Treasurer Cathey stated that the newspapers will also be delivered through the mail. Board Member Knell stated that this is due to the expansion of their offices. Mr. Martin stated that he believes staff will still use them, but the publication dates for advertisements may have to be adjusted.

Mr. Martin stated that the vouchers are in good order and recommended approval of vouchers 8573 through 8581 in the amount of \$339,802.36.

Chairman King asked for a motion to approve the May 2023 vouchers. A motion was made by Board Member Knell and seconded by Board Member North to approve the May 2023 voucher listing to include voucher numbers 8573 through 8581 in the amount of \$339,802.36. Motion put and carried.

4. Mr. Martin asked the Board to reference the Water Production chart on the screen. Mr. Martin stated that there were 157 MG of water produced in April, which is 12 MG below the five-year average of 169 MG.

Mr. Martin stated that year to date water production for April was 3.09 BG, which is 179 MG above the five-year average of 2.91 BG. Mr. Martin stated that it continues to be a very good year for water production.

Mr. Martin stated that Water Utility Charges for FY23 is \$6,889,071, which is approximately \$896,643 more than last year at the same time. Mr. Martin stated that the increase is due to the rate increase for FY23, and the above average water sales.

Mr. Martin stated that Interest Earned is a total of \$179,269 for the fiscal year. Mr. Martin stated that this is due to the WYOSTar I and II investment accounts.

Mr. Martin stated that Reimbursable Contract Expense is \$3,118,039. Mr. Martin stated that the current figure also includes the April Operations Reimbursement. Mr. Martin stated that this line item is on track for where it was expected to be at this point in the fiscal year.

Chairman King asked for a motion to approve the April 2023 Financial Report as presented. A motion was made by Board Member Pollock and seconded by Secretary Waters to approve the April 2023 Financial Report as presented. Motion put and carried.

5. The time was turned over to Mr. Edwards to give the WTP Operations Update.

Mr. Edwards stated that production is averaging 7.5 MGD for the month. Mr. Edwards stated that the Surface Water Plant is being operated as needed.

Mr. Edwards stated that Maintenance staff has been prepping Actiflo and the Surface Water Plant for the summer season.

Mr. Edwards stated that new valve actuators were installed on the Surface Water High Service pumps.

Mr. Edwards stated that staff is currently rebuilding Ground Water High Service Pump No. 5.

Mr. Edwards stated that staff installed new CL17 chloramine analyzers on both the Surface Water and Ground Water systems.

Mr. Edwards stated that turbidimeter heads were replaced on Caisson 1 and Caspar 20.

Mr. Edwards stated that turbidimeters were repaired on Caspar 7, 10, 22, and Morad 4.

Mr. Edwards stated that the air handler in the North Chem Building was repaired.

Mr. Edwards stated that all the old copper piping that was attached to the old actuators was removed.

Mr. Edwards stated that the motor on the North Chem Building exhaust fan was replaced.

Mr. Edwards stated that some HOA switches were replaced on the well house fans.

Mr. Edwards stated that staff cleaned the gates at the Raw Water Building.

Mr. Edwards stated that Carr Coatings completed the sand blasting and painting of the Surface Water High Service and the Raw Water Manifold piping.

Mr. Edwards stated that Riley Industrial came out and did spot repairs to the paint inside the 2.6 MG tank. Mr. Edwards stated that the paint is curing, but it is hoped to have the tank back in service by the end of the week.

Mr. Edwards stated that Energy Management was on site to wire the valve actuators.

Mr. Edwards stated that he received an update from Waters and Son regarding the front gate actuators. Mr. Edwards stated that the actuators did ship out so hopefully the project will start soon.

Mr. Edwards stated that the HVAC Chiller Project is still waiting on materials to arrive. Mr. Edwards stated that the estimated start date of the project is July or August.

Board Member Knell asked how the well project is going. Mr. Edwards stated that there was a kick-off meeting for the Well Project a week or so ago, and the construction will start in the fall. Mr. Martin stated that was for the WWDC Wellfield Management Plan that was discussed. Board Member Knell stated that he thought the work was going to be done during the summer while the WTP is pulling water from the river. Mr. Martin stated that WWDC Wellfield Management Plan will be looking at the entire wellfield. Mr. Martin stated that rehabilitation will be done on some of the wells, but the timing has to be right as the wells can't be taken out of service when the WTP is in high production. Mr. Martin stated that Caisson 2 is bad enough that it could be taken out of service for rehabilitation in the hopes that it could be brought back in service with a higher production rate.

Vice-Chairman Bertoglio asked about the Surface Water Plant being used as needed. Mr. Edwards stated that this is the time of year when people are just starting to water their grass, and with the rain that was experienced recently, production tapered off. Mr. Edwards stated that in a couple of weeks the Surface Water Plant will be on for the rest of the summer.

The time was turned over to Mr. Anderson for the Transmission System Update.

Mr. Anderson stated that the weekly security checks and tank sampling continue to be completed.

Mr. Anderson stated that staff sprayed all the tank and booster sites for weeds for the first go around. Mr. Anderson stated that hopefully this is a good start on keeping the weeds down.

Mr. Anderson stated that all the booster stations have been prepared for summer and are

ready to go.

Mr. Anderson stated that he is still waiting on the structural engineer to look at Mountain View Tank. Mr. Anderson stated that he had hoped to have a report for the Board today. Mr. Anderson stated that the tank is still out of service.

Mr. Anderson stated that the watermain at 151 Salt Creek had to be shut off yesterday as there was a service line leak on Wardwell's side that had to be repaired.

Mr. Anderson stated that Salt Creek Booster Pump No. 1 developed a leak on the casing right at the floor plate. Mr. Anderson stated that Midwest/Edgerton are aware of the leak and are getting a welder to put a patch on there. Mr. Anderson stated that depending on the corrosion that is there, the patch may fix it. Mr. Anderson stated that more information will be available once it is looked at.

Mr. Anderson stated that the Actiflo drying bed was cleaned out and the sludge was hauled to the Landfill. Mr. Anderson stated that the Actiflo lagoons were cleaned out and the sludge was put in the drying beds. Mr. Anderson stated that the lagoons are ready to be used for most of the summer.

6. In Public Comment, Board Member Knell stated that the City of Casper released a statement about ten minutes ago that the annual water quality report met and exceed all EPA water quality standards, and the report will be inserted in the water bills this month. Mr. Martin stated that what spurred the press lease is that a lab from Colorado sent out flyers to Natrona County residents which told them they needed to have their water tested. Mr. Martin stated that at the very bottom of the flyer in small print it says that the lab is not affiliated with the local utility. Mr. Martin stated that he believes this company is ultimately looking to sell water filtration devices. Mr. Martin stated that staff felt that this was a good time for the press release which informed residents that the water in the system is monitored 24/7/365 and meets and/or exceeds EPA regulations. Mr. Martin stated that there is no reason to have private testing done on the municipal water supply. Mr. Martin stated that he believes this was just a marketing ploy.

Board Member Pollock left the meeting at 11:50 a.m.

7. There was no Old Business.
 - a. There was no Other Old Business.
8. In New Business:
 - a. Mr. Martin stated that the Board entered into an agreement with Engineering Associates for design and construction administration services for the Caisson #2 Well Rehab Project. Mr. Martin stated that project went out to bid in 2021. Mr. Martin stated that two bids were received; both were over budget. Mr. Martin stated that at that time it was decided to reject the bids and add more money to the budget in FY23 and then go back out to bid. Mr. Martin stated that in the meantime, the Board was successful in applying for and receiving an ARPA grant

in the amount of \$1.5 M for well rehabilitation. Mr. Martin stated that the idea for the grant was to be able to rehabilitate all three Caisson wells.

Mr. Martin stated that now that the grant is secured, staff went back to Engineering Associates and asked for an amendment to their contract to include Caissons 1 and 3. Mr. Martin stated that Engineering Associates came back with a proposal of \$64,012.35 to add design and construction administration services for Caissons 1 and 3 to the contract.

Mr. Martin stated that Caisson 2 is the worst well as production is down to 300 gpm, where it used to be over 1,000 gpm. Mr. Martin stated that staff is anxious to get this one rehabbed.

Mr. Martin stated that there are only a couple of companies that do rehab on Ranney Collector wells, so depending on the timeline of when they can get here to do the work, it could be shut off for a couple of weeks.

Board Member Knell asked if it was the consensus that these wells are silted in. Mr. Martin stated that they are silted in, and there is mineral build up on the screens. Mr. Martin stated that the Caissons also have valves that need to be replaced. Mr. Martin stated that it has been so long since the Caissons have been rehabbed that it is uncertain what will be found once they start the rehab.

Secretary Waters asked what the original bid was for the Caisson 2 rehab. Mr. Martin stated that the original bid for Caisson 2 rehab was approximately \$500,000.

Mr. Martin stated that the original design contract was \$40,250.

Vice-President Bertoglio asked how deep the Caisson wells are. Mr. Martin stated that they are 35 - 40 feet deep, and run laterals under the river.

A motion was made by Secretary Waters and seconded by Board Member North to approved Amendment No. 1 with Engineering Associates for design and construction administration for the Caisson #2 Rehab, Project No. 21-040 for a price increase of \$64,012.35, bringing the contract total to \$104,262.35. Motion put and carried.

- b. Mr. Martin stated that for the last couple of months the Board has discussed the Capital Budget and the Operations Budget. Mr. Martin stated that this month the Board will review the preliminary rate model for setting Wholesale Water Rate for FY24. Mr. Martin stated that the Board sets the rate every year. Mr. Martin stated that the Board will approve the budget and rate at the June meeting.

Mr. Martin stated that the following assumptions were made in the development of the wholesale water rate model:

- Starting fund balance information obtained from the FY22 audit.
- The model assumes a 2.5% rate increase effective July 1, 2024. This can be adjusted in the rate model per Board discussion.
- The model assumes 0.5% rate of growth in the RWS over the next five years. This is the amount recommended in the WTP Facilities Plan.
- The model assumes a 5% rate of inflation for 5 years.
- The model uses a five-year rolling average for projected water production. Annual water production varies based on climatic conditions and any required watering restrictions.
- The recommended minimum RWS fund reserves are calculated in accordance with the RWS Fund Reserves Policy as adopted by the Board in February of 2021.
- Rates developed by these models include rate adjustments needed for new and replacement capital facilities above that obtained from the system investment charges, reserves, grants and loans. The rate models are driven by new and replacement capital projects more than operations expenditures.
- Mr. Martin stated there are a couple of big projects in the rate model; one is the Disinfection Upgrade Project for \$15 M, and the other is \$2 M for upgrades to the Raw Water Facility. Mr. Martin stated that SRF loan applications will be submitted for both these projects.
- Mr. Martin stated that pay off of the City loan in FY24 also impacts the rate.

Mr. Martin asked Ms. Johnson to run the rate model while he goes through a couple of items. Mr. Martin stated that the black line is the required reserve amount set by policy. Mr. Martin stated that the green line is a 10% buffer above the required reserve amount. Mr. Martin stated that the idea behind the buffer amount is to operate the fund without dipping into reserves all the time. Mr. Martin stated that the blue line is the fund balance. Mr. Martin stated that the idea is to keep the fund balance above minimum required reserves.

Mr. Martin stated that the model has all the expected revenues and expenses included in it. Mr. Martin stated that FY25 jumps up quite a bit as this is when the Disinfection Upgrade Project is anticipated to begin. Mr. Martin stated that it is offset in the revenues due to the expectation of an SRF loan.

Mr. Martin stated that FY26 is a bit higher as it contains the \$2 M Raw Water Project. Mr. Martin stated that it is anticipated at this time that this project will also be funded with an SRF loan. Mr. Martin stated that with most SRF loans you can get 25% Principal Forgiveness, with 2.5% Interest.

Mr. Martin stated that the rate increase is projected, but can be manipulated. Mr. Martin stated that a 2.5% rate increase would change the amount from \$2.24 per thousand gallons to \$2.30 per thousand gallons, an increase of six cents per thousand gallons.

Mr. Martin showed the Board where the Growth Rate, and Rate of Inflation could be changed to manipulate the model.

Mr. Martin stated that staff tends to look in the out years as an indicator of rate increases needed. Mr. Martin turned the discussion over to the Board.

Board Member Knell stated that he assumes that staff has played with the model, and is recommending a 2.5% rate increase. Mr. Martin stated that staff has looked at the model, but it is up to the Board on what they would like to see in the rate model.

Board Member Knell asked that 2% be put in across the board. After looking at the change in the graph, Board Member Knell stated that 2% didn't bother him.

Secretary Waters asked that 3% be put in across the board. Mr. Martin stated that the rate of inflation can also be changed if the Board wishes.

Secretary Waters stated that he thinks the rate of inflation is going to keep going up. Board Member Knell stated that he just read an article that said for the first time ever, U.S. consumers charged over \$1 Trillion on their credit cards. Board Member Knell stated that tells him that people have not adjusted how they are living their lives beyond their means and are now transferring it into the credit industry. Board Member Knell stated that he figures that it will all come crashing down in five to seven months. Board Member Knell stated that he doesn't think the Board should go any lower than 5% on the rate of inflation. Board Member Knell stated that the fund balance should be between the reserve requirement and the 10% buffer. Board Member Knell stated that the Board should not be in the business of having a large cushion.

Treasurer Cathey stated that with all the inflation, and even with loans, the Board will still have to come up with matching funds, and asked if the rate increase needs to stay at 2.5% or even go to 3% in order to have the reserves available in FY28 when the payments have to be made. Treasurer Cathey asked if the Board stays at 2.5% now, will the rate have to increase to 4% or 5% in the out years. Mr. Martin stated that when an SRF loan is used, it doesn't usually require matching funds. Mr. Martin stated that if an ARPA grant or Bi-Partisan Infrastructure funding is used, it does require matching funds. Mr. Martin stated that the SRF loan could be used as the matching funds, and then the Board would not have to borrow as much, but the SRF loan has to be in place before you can apply for the grants. Treasurer Cathey stated that he just didn't want to fall short of funds for the projects.

Board Member Knell stated that even if a 2% increase is done, there is still a peak in FY24, and is a four cent increase on the rate. Board Member Knell stated that the less we can be invasive on the customer pocketbooks the better.

Mr. Martin stated that the peak that is shown in FY24 is mostly from the payoff of the City loan, so there is less expense in FY24, and the new loans are anticipated

in the out years.

Vice-Chairman Bertoglio stated that the key to the out years is how much it's going to cost, and where the funding is going to come from. Vice-Chairman Bertoglio stated that there are a whole bunch of unknowns in there at this point. Vice-Chairman Bertoglio stated that the Board could go to WWDC and potentially get the Disinfection Upgrade Project in the Omnibus Bill. Mr. Martin stated that he spoke to WWDC and they said they would not fund the Disinfection Upgrade Project as it is a treatment project, not a transmission project.

Vice-Chairman Bertoglio stated that if the Board goes with 2% this year, and then goes back to 2.5%, it will keep reserves above the line. Board Member Knell stated that the Board needs to stay above the black line, not the green line, as the green line is just a buffer.

Board Member Knell asked to see a 0% increase for FY24, and then 3% for the out years. After the rate model was updated, Board Member Knell stated that there is no reason to have an increase this year.

Treasurer Cathey stated that it is just kicking the rate increases down the road. Board Member Knell stated that you can charge five cents per thousand right now, or charge seven cents two years from now.

Vice-Chairman Bertoglio asked when the Board will have the preliminary cost on the UV Project. Mr. Martin stated that the preliminary design report that was sent to EPA is where staff got the cost of \$15 M for the project. Mr. Martin stated that we won't get into the actual design until funding is secured. Vice-Chairman Bertoglio stated that the engineers still think it will cost the \$15 M. Mr. Martin stated that is correct, that is the cost for both UV and Ozone. Mr. Martin stated that if he remembers correctly, the cost of the UV system is \$4 M or \$5 M, and the rest is for the Ozone system.

Board Member Knell stated that to look at things, the rate can be left at 2.5% across the board, and the Wholesalers will pay six cents per thousand for the next four years, or we can hold still right now and do a 3% increase next year and they will only pay seven cents for three years. Board Member Knell stated that it is saving them money in the long run, and the Board is still meeting their goal. Board Member Knell stated that he doesn't like rate increases in a high inflation time if it's not necessary, and the fact that the City loan is being paid off this year, it is not necessary, but he will leave it to the Board.

Chairman King stated that he wished we didn't have to wait until next month, as everyone is putting their budgets together now. Mr. Martin stated that what the Board decides today will be brought for approval in June.

Board Member Knell stated that he is proposing the 0% rate increase right now as it will save the customers money in the long run over four years by going 0% and then 3%. Board Member Knell stated that he is fearful that over the next fiscal

year we're going to hit inflation like a wall, and if we can keep costs down in every area that we can for the wholesalers, which keeps it down for the constituents, we will be better off. Board Member Knell stated that by FY24 everyone will have to re-budget how they operate their homes and families, and this will be giving them just a little bit of help to do that in his opinion.

Vice-Chairman Bertoglio asked how much additional revenue is generated from a 2% increase. Ms. Johnson stated it is approximately \$167,000. Vice-Chairman Bertoglio asked how much the electrical bill runs. Mr. Martin stated that the WTP electric bill is approximately \$350,000 per year. Vice-Chairman Bertoglio stated that is the big wild card for him as electricity is not going to go down. Mr. Martin stated that there are also other variables, as the water revenue is based on a five-year average and it could go up or down.

Vice-Chairman Bertoglio stated that his issue is that if a case is made for a 0% rate increase, you can still make the case that 0% could be done the next year, then all of the sudden you get hit with a 5% or 6% increase. Secretary Waters stated that he goes along with that, as he likes to see a steady small increase rather than a large increase. Secretary Waters stated that it is easier on budgets as well. Board Member North stated that he feels it is better to be consistent with small increases.

Vice-Chairman Bertoglio stated that the major unknown is the capital costs each year.

Treasurer Cathey stated that he likes 2%, for FY24 and 2.5% for the out years as it gets back to the same slope where the trend is projected for expenses and reserves.

Board Member Knell stated that he doesn't like it, the green line is not needed, as we don't need a 10% cushion.

Vice-Chairman Bertoglio stated that he is concerned as the WTP is getting older. Board Member Knell stated that major repairs and UV will use loans, so trying to plan for that, it is always better to borrow the funds. Board Member Knell stated that we just need to have three months of operating expense, debt service, and capital. Board Member Knell stated that it isn't about building up a nest egg for when something bad happens, because when that happens, we will need something entirely different.

Mr. Martin stated that the Board needs to keep in mind that not all capital projects will go out for funding. Mr. Martin stated that smaller projects come out of reserves. Secretary Waters stated that you also have to understand that not all loans that are applied for will be granted.

Board Member Knell stated that he just wants to look at it from all the angles. Board Member Knell stated that we have to keep in mind that people pay their bills to fund these accounts and they are already getting blasted from everyone

else, and if we don't have to, we shouldn't do an increase. Board Member Knell stated that it is up to the Board, but he would not vote for an increase.

Ms. Johnson stated that the inflation factor was reduced from 6% to 5%, which is where it is currently nationwide, but if it goes back up, the Board might not have enough money to get through the year. Board Member Knell stated that he thinks this year there will be a rise in inflation. Ms. Johnson input 7% inflation rate in the model. The Board had Ms. Johnson make several changes to the rate model for review.

Vice-Chairman Bertoglio asked what the City is discussing for wage increases. Ms. Johnson stated that there are several proposals that will be taken to Council, but nothing has been approved. Ms. Johnson stated that a 3.5% raise is being proposed within the range, the range would not change. Ms. Johnson stated that Fire and Police would get a step, which is a 5% increase.

Secretary Waters stated that he doesn't like the idea of going with a larger increase in the out years. Secretary Waters stated that he likes a more consistent increase, even if there is no increase for FY24.

Board Member Knell stated that it all hinges on the inflation rate.

Vice-Chairman Bertoglio stated that if the rate isn't raised every year, and you go a year without, that's what drives it up in the out years.

Board Member Knell stated that the only reason he wants to go with no increase this year is that the Board knows for a fact that it won't hurt for this next fiscal year. Board Member Knell stated that because the City loan is being paid off, there will be a spike regardless of what is done, so it gives the Board a year to find out where inflation is going instead of guessing. Board Member Knell stated that there will obviously be rate increases down the road as the cost of doing business is a reality. Board Member Knell stated that when we don't necessarily have to have an increase, he hates the idea of doing it.

Secretary Waters asked Ms. Johnson to input 1% for FY24, and 2.5% for the out years with a 5% inflation factor. Secretary Waters stated that he is comfortable with this scenario, and he doesn't like to see the balance of the reserves at the minimum required.

Treasurer Cathey stated that he is comfortable with the same scenario.

Chairman King asked what the rate would be with the 1% increase. Mr. Martin stated that it would be \$2.26 per thousand.

Additional scenarios were input to the rate model and discussed.

Secretary Waters stated that he still likes the 1% increase. Secretary Waters stated that the Board just can't keep a finger on the inflation rate as it changes so

often.

Treasurer Cathey asked what was used for the inflation rate last year. Ms. Johnson stated that it was 6%.

Board Member Knell stated that this next year is the perfect storm for not having an increase.

Vice-Chairman Bertoglio stated that the peak in FY24 is only due to the City loan pay off, then we start burning through reserves.

Board Member Knell stated that if the Board can give the customers a break, they should.

Vice-Chairman Bertoglio stated that he prefers small increases each year. Board Member North stated that he thinks people respond better to small increases.

Mr. Martin stated that the rate model changes each year based on expenses, inflation, audit numbers, etc.

Vice-Chairman Bertoglio stated that he prefers to see the reserve balance and the reserve minimum requirement not converge.

Board Member Knell stated that if the Board has to go to a 5% rate increase next year, it would be easier to sell to the customers by saying that there wasn't a raise last year, as opposed to telling them they've had a rate increase every single year.

Secretary Waters stated that he would feel confident in speaking to his customers and telling them that the Board is looking at the rates down the road, and it was held at 1% instead of having it at 2.5% this year, and down the road it may have to be bumped to 4% or 5%, but the Board is trying to level the increases out.

After much discussion on different rate model scenarios, it was the consensus of the Board to bring a 1% rate increase for FY24, with 2.5% for the out years in the rate model to the June meeting for consideration.

Chairman King asked what the rate would be with the 1% increase. Mr. Martin stated that it would be \$2.26 per thousand gallons.

c. In Other New Business:

- i. Mr. Martin stated that last month during the budget discussion, the Board requested more information on how Internal Services are figured. Mr. Martin stated that at that point, they were increasing across the board. Mr. Martin stated that there have been a lot of changes to the General Fund Budget since the last meeting.

Mr. Martin stated that Ms. Johnson put together a comparison of Internal

Services between FY23 and FY24 for the Board, and asked the Board to reference it on the screen. Mr. Martin stated that Internal Services are the Enterprise Fund payment to the General Fund for things like City Council, City Manager, City Attorney, Finance, Human Resources, and an average of Utility Worker II and Utility Worker III for work on the Regional Water system.

Mr. Martin stated that the comparison shows the Total Budget, the percent and dollar amount allocated to Enterprise Funds, and the percent and dollar amount that is allocated to Fund 202, WTP Operations Fund by fiscal year.

Mr. Martin stated that the comparison shows the percent of change for each General Fund budget from FY23 to FY24, and the percent of change to the WTP Operations Fund 202 budget from FY23 to FY24.

Mr. Martin stated that at the meeting last month there were increases across the board, but a lot of changes were made in the last month. Mr. Martin stated that City Council shows a \$1,714 decrease; City Manager's Office shows a \$6,124 decrease as an employee was moved from the City Manager's Office to Finance; City Attorney shows an increase of \$1,443 due to an added Law Clerk; Finance shows an increase of \$1,086 due to the employee moved from the City Manager's Office; Human Resources shows an increase of \$3,768 and is based on the number of staff in Fund 202 – FY23 was 10 employees, FY24 is 14 employees; average cost of Utility Worker II and Utility Worker III increase of \$6,288 based on the anticipated 3.5% wage adjustment.

Mr. Martin stated that Internal Services has an overall decrease of 7.9%, or \$4,726. Mr. Martin stated that one thing that is not listed on the comparison is IT services. Mr. Martin stated that it was discussed with the Board previously that computers are no longer budgeted separately, it will be more of a service from the IT Department. Mr. Martin stated that this was an increase of approximately \$4,500, so is pretty much a wash in the end for Internal Services between FY23 and FY24.

Mr. Martin stated that hopefully this gives the Board a better understanding of how Internal Services works. Mr. Martin stated that this will all be looked at again next month before the Board approves it.

- ii. Secretary Waters asked if there was anything new about Wardwell Water & Sewer District and Bar Nunn as far as Wardwell being dissolved.

Mr. Chapin stated that he requested executed copies of all the documents required by State Statutes to dissolve a water district. Mr. Chapin stated that we didn't get executed copies, we received unexecuted copies. Mr. Chapin asked if Mr. Martin received a full set of executed documents. Mr. Martin stated that Mr. Brauer sent some copies of executed documents

earlier this week.

Mr. Chapin stated that in his opinion there are a number of questions. Mr. Chapin stated that first of all, it has been clearly articulated in the documentation that it is Wardwell's intent to sell water to Mills. Mr. Chapin stated that what that looks like, he doesn't know. Vice-President Bertoglio asked if that is in the documents. Mr. Chapin stated that is correct.

Board Member Knell asked how can they sell anything if they are dissolving. Mr. Chapin stated that Bar Nunn is going to sell water to Mills, he misspoke.

Vice-Chairman Bertoglio stated that there aren't any transmission lines out there. Mr. Martin stated that he thinks they are referencing the area where Mills annexed a portion of Wardwell's district. Board Member North stated that area is up Salt Creek Highway, just south of the by-pass. Board Member North stated that is the only area Mills annexed that has Wardwell lines in it.

Secretary Waters asked how they can dissolve Wardwell and Bar Nunn assume only what they want to assume from Wardwell. Mr. Chapin stated that the State Statutes say that a water district can only service within its area, which raises a bunch of interesting questions. Mr. Chapin stated that Bar Nunn is significantly smaller than the Wardwell District. Mr. Chapin stated that he doesn't know if they expect the County to pick up that area. Board Member North stated that he doesn't think the County can serve that area. Vice-Chairman Bertoglio stated that the County can't sell water.

Mr. Chapin stated that the statutes refer to the County if it's not within the municipal boundaries of the city. Vice-Chairman Bertoglio stated that the courts said that counties cannot sell water. Mr. Chapin stated that he understands that, he is just telling the Board what the statute says.

Board Member Knell stated that he guesses that it will come to the Board to service that area. Mr. Chapin stated that then the question becomes what is the procedure by which they make application to join the Board. Mr. Chapin stated that at the time the Board was set up, everyone was in unison. Board Member Knell asked if there were guidelines to follow. Mr. Chapin stated that there were not.

Mr. Chapin stated that there are a number of questions as to whether they followed the statutes with regard to the dissolution. Mr. Chapin stated that he has kept quiet because he wasn't sure what the attitudes of the Board Members are on this subject. Mr. Chapin stated that he was asked to look at a couple of things, and he did. Mr. Chapin stated that he is waiting on some direction from the Board.

Board Member Knell stated that he did not want to speak for the whole Board, but he would have to see the financial impacts, what it would do to the Board financially, and are there impacts that will cost the Board a bunch of money, etc. before the Board would be able to make a recommendation.

Secretary Waters stated that he has thought about this for quite a while. Secretary Water stated that we had an entity that was a part of this Board that was selling water to Bar Nunn. Secretary Waters stated that his opinion is that there were a group of people that went in and got elected to Wardwell's board. Secretary Waters stated that now those people have changed the direction of Wardwell's board, and want to dissolve it. Secretary Waters stated that Bar Nun is not a member of Regional Water. Secretary Waters stated that they are trying to backdoor their way in to buying water from Regional Water without sharing any of the costs, or any of the infrastructure that Regional Water has built, that has been established and maintained. Secretary Waters stated that it's a process that they are going through that he just thinks that the Board should be raising their hand and saying wait a minute, that isn't going to happen unless you come to this Board and say this is what they are willing to do to buy their water from Regional Water. Secretary Waters stated that as he understands it now, Wardwell is going to sell to Bar Nunn, like it has been, but some of that area is going to be in limbo as to who is going to maintain it, who is going to supply water, and how they are going to get water to them. Secretary Waters stated that he doesn't think that is right, that the State is letting that happen.

Board Member Knell stated that he's not sure they are, as statutorily, he's not sure Bar Nunn can sell water outside of their boundary. Mr. Chapin stated that's one of the arguments. Mr. Chapin stated that as a practical matter, the dissolution has already occurred. Mr. Chapin stated that Bar Nunn is handling all the money, they are sending the bills, and doing the operations of Wardwell. Mr. Chapin stated that Wardwell doesn't exist except in name only.

Vice-Chairman Bertoglio stated that if Wardwell dissolves, and their boundaries dissolve, then Bar Nunn cannot sell water to Mills as they don't have transmission lines. Board Member Knell stated that it is also out of their boundary, so statutorily, they can't legally sell them water.

Secretary Waters asked what happens to the distribution lines that are in the ground that Wardwell was utilizing to get water to their customers. Vice-Chairman Bertoglio stated that Regional Water will still supply water to them. Vice-Chairman Bertoglio stated that there are two lines that come under the Interstate there. Vice-Chairman Bertoglio stated that Mills annexed that area illegally, but that is a different story.

Secretary Waters stated that he isn't sure who controls that at the State

level, but it doesn't look right, or smell right, and sure doesn't taste right, right now. Secretary Waters asked that if there is a fire at the upper end of what was annexed by Mills, are they going to be able to protect their people.

Mr. Chapin asked Vice-Chairman Bertoglio who Regional Water would sell water to. Vice-Chairman Bertoglio stated that was a good question. Vice-Chairman Bertoglio stated that they can't technically dissolve without the consent of Regional Water and the State, because they are signatories to the loans. Mr. Chapin stated that is true.

Secretary Waters stated that Wardwell has obligations out there and here, and it's like they are just pulling their hands out.

Mr. Chapin stated that they have a plan, but he doesn't know what it is.

Board Member Knell stated that his guess is that it is all going to end up under the purview of the Board long term. Vice-Chairman Bertoglio stated that he hopes that whatever is left of Wardwell would be reconstituted as an Improvement District, and then they just have to figure out who pays the bills between Bar Nunn and Wardwell. Vice-Chairman Bertoglio stated that they can go in there and install some valving, but all it's doing is costing tax payers money, as it is working fine right now as long as we read our few meters, and they give us the money.

Treasurer Cathey stated that there is a financial obligation that Wardwell has and in theory, their partial ownership of the WTP. Vice-Chairman Bertoglio stated that as long as there are loans outstanding, those loans are collateralized with the system, and as signatories of the system, the revenue that is collected is the guarantee for the loans.

Board Member Knell asked if Bar Nunn is making the payment on behalf of Wardwell to the Board since they are collecting the revenue from the customers. Mr. Martin stated that the invoice is still under Wardwell's name, and a Wardwell check is being used to pay it. Mr. Chapin stated that Bar Nunn has taken over the finances and opened a separate account for Wardwell.

Vice-Chairman Bertoglio asked if there is anything the Board needs to do, such as a letter asking for clarification. Mr. Chapin stated that Mr. Martin was approached by Mr. Brauer and asked when does the Board want him to come and talk about where Wardwell is in the process. Mr. Chapin stated that might be the opportunity to have him come out and have a meeting.

Mr. Chapin asked when the election will take place out in Wardwell/Bar Nunn. Mr. Martin stated that it has to take place between 90 and 120 days after they notified the County. Mr. Chapin asked if Wardwell/Bar Nunn

has notified the County. Board Member North stated he is not aware of them notifying the County.

Board Member Knell stated that the Board needs to get a foot in the door somewhere as the Board is the one that stands to lose the most. Mr. Chapin agreed and said that would be his recommendation.

Mr. Martin stated that when Mr. Brauer sent the documents, he offered to come update the Board. Mr. Martin stated that it would be a good opportunity for the Board to ask these questions.

Mr. Chapin stated that part of this whole thing, is that Bar Nunn has to assume the obligations of Wardwell. Mr. Martin stated that he thinks that is what Bar Nunn is looking at, to assume everything that Wardwell had, all their obligations, they are vying to simply change the name from Wardwell to Bar Nunn, is how they make it sound.

Mr. Chapin stated that the money was loaned based on the financial stability of the entities that comprised the Board at that time.

Board Member Knell stated that it is his guess that Bar Nunn could back that, and that their financials are in order enough to be able to slide right in there. Board Member Knell stated that in that case, if they are taking the debt and everything else, the Board is not out anything, and they just need to keep buying the water from the Board.

Mr. Chapin stated that there are some customers that will not be taken care of under the current structure. Board Member Knell stated that those customers would probably just become direct customers of Regional Water. Mr. Martin stated that the Board can only sell water wholesale to entities, and not retail to individual customers. Board Member Knell stated that there is going to have to be some kind of district set up there. Treasurer Cathey stated that is what Vice-Chairman Bertoglio was talking about, an improvement district. Mr. Martin stated that in the documentation that was sent, there was some reference about an improvement district being set up.

Board Member Knell stated that it would behoove someone to go have a conversation with someone on the behalf of the Board, because the Board does have interests that need to be protected. Board Member Knell stated that to just ignore them and wait until it is too late is not appropriate. Board Member Knell stated that he thinks the Board needs to direct Mr. Chapin to go have a meeting and start having a conversation on behalf of the Board so everyone understands where they stand and how this is going to look and how it's going to work.

Vice-Chairman Bertoglio stated that Mr. Chapin should get with Mr. Brauer and lay out the Board's concerns and see what he comes up with

and then have him come back and talk to the Board.

Chairman King asked for a motion to have Mr. Chapin enter into discussions with Wardwell, Bar Nunn, and Mr. Brauer regarding the dissolution of Wardwell Water and Sewer District as it relates to the Board.

A motion was made by Secretary Waters and seconded by Board Member Knell to direct Mr. Chapin to enter into discussions with Wardwell, Bar Nunn, and Mr. Brauer regarding the dissolution of Wardwell Water and Sewer District as it relates to the Board. Motion put and carried.

9. In the Chairman's Report, Chairman King stated that Mr. Beamer will be retiring on June 16th, and thanked him for his service as it has been a pleasure working with him.

Chairman King stated that he will be out of town June 3rd – June 10th.

Chairman King stated that the next meeting will be held on June 20, 2023.

A motion was made by Board Member North and seconded by Vice-Chairman Bertoglio to adjourn the meeting at 1:14 p.m. Motion put and carried.



Vice-Chairman


Secretary