

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

MEETING PROCEEDINGS

May 17, 2022

A public meeting of the Central Wyoming Regional Water System Joint Powers Board (Board) was held Tuesday, May 17, 2022 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 Freel, and Board Members Cathey, Sabrosky and Sutherland. Board Member Knell was absent.

City of Casper – Cathey, Freel, Sutherland, Andrew Beamer, Bruce Martin, Tom Edwards, Clint Conner, Janette Brown

Natrona County – Bertoglio

Salt Creek Joint Powers Board – King

Wardwell Water & Sewer District – Sabrosky

Pioneer Water & Sewer District – Waters

Poison Spider Improvement & Service District –

Wyoming Water Development Office -

Sandy Lakes Estates – Tim Mischel

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 11:30 a.m.

1. There were no Announcements.
2. Chairman King asked for a motion to approve the minutes from the April 19, 2022 Regular meeting. A motion was made by Secretary Waters and seconded by Treasurer

Freel to approve the minutes from the April 19, 2022 Regular meeting. Motion put and carried with Board Member Cathey abstaining from the vote.

3. Mr. Martin informed the Board that three additional vouchers were added to the voucher listing that was sent out in the agenda packet. Mr. Martin stated that voucher 8461 for Norco, Inc. in the amount of \$2,157.06 for a Ladder Gate for the Alternate Backwash Tank; voucher 8462 for Modern Electric in the amount of \$17,192.00 for Surface Water Valve Actuator Wiring; and voucher 8463 for Salt Creek Welding, Inc. in the amount of \$3,076.86 for Actiflo Scraper Arm Welding Repairs were all added to the voucher listing. Mr. Martin stated that the vouchers are in good order and recommended approval.

Chairman King asked for a motion to approve the May 2022 vouchers. A motion was made by Vice-Chairman Bertoglio and seconded by Secretary Waters to approve the May 2022 voucher listing to include voucher numbers 8447 through 8463 in the amount of \$667,198.27. Motion put and carried.

4. Mr. Martin asked the Board to reference the Gallons Produced table in the agenda packet. Mr. Martin stated that production for April 2022 was 151 MG, which is 18 MG less than the five-year average. Mr. Martin stated that usually around the end of April production increases, but there was unusually higher precipitation at the end of April. Mr. Martin stated that the year to date production total is 2.8 BG, which is 109 MG less than the five-year average. Mr. Martin stated that this is due to the water conservation efforts that took place last summer.

Mr. Martin asked the Board to reference page 1 of the Financial Report. Mr. Martin stated that the WyoStar I and II accounts are not seeing much interest yet due to the timing of the statements. Mr. Martin stated that the WyoStar and WyoStar 2 line items should show the interest earned next month.

Mr. Martin asked the Board to reference page 2 of the Financial Report. Mr. Martin stated that Water Utility Charges is \$5,992,428, which is \$189,134 less than the same time last year. Mr. Martin stated that this is due to decreased water sales.

Mr. Martin stated that Reimbursable Contract Expense is \$2,521,870, which is \$1,034 more than the previous year. Mr. Martin stated that this is due to timing of chemical purchases and is right where expected.

Mr. Martin offered to answer any questions the Board may have on the Financial Report.

Chairman King asked for a motion to approve the April 2022 Financial Report as presented. A motion was made by Board Member Cathey and seconded by Treasurer Freel to approve the April 2022 Financial Report as presented. Motion put and carried.

5. Chairman King turned the time over to Mr. Edwards for the WTP Operations Update.

Mr. Edwards stated that the Surface Water Plant was started on Friday, putting out approximately 5 MGD to keep up with demand. Mr. Edwards stated that all the wells are running, with the exception of Casper Well 12 and Caisson 2, and are producing

approximately 5MGD, for a total production of approximately 10 MGD.

Mr. Edwards stated that the new scraper arms have been installed on Actiflo.

Mr. Edwards stated that staff has been out greasing all the well pumps to get ready for the summer season.

Mr. Edwards stated that the Surface Water Ammonia pumps were repaired.

Mr. Edwards stated that repairs were made to a couple of turbidimeters.

Mr. Edwards stated that HOA came and worked on the SCADA system with the new Instrumentation Technician. Mr. Edwards stated that Matt Burgardt was promoted from Plant Mechanic to Instrumentation Technician.

Mr. Edwards stated Pope Construction is still working on the Hoist Project which should be completed next week.

Mr. Edwards stated that a new Plant Mechanic was hired from Distribution staff and will start next Monday.

Mr. Edwards stated that the open WTP Operator position has been advertised.

Chairman King turned the time over to Mr. Conner for the Transmission System Update.

Mr. Conner stated that staff has been spraying the weeds at the tank and booster sites for the last couple of weeks.

Mr. Conner stated that staff has begun de-winterizing the pump stations this week.

Mr. Conner stated that there have been some issues with overloads with Pioneer Booster Pump #2. Mr. Conner stated that staff is troubleshooting the issue.

Mr. Conner stated that the fence at the Wardwell tank north of town had to be repaired. Mr. Conner stated that there are bulls in the field next to it and they like to rub themselves on the fence. Mr. Conner stated that the fence is going to be shortened up a bit and large rocks placed outside of it to make a barrier from the bulls.

Mr. Conner stated that the Lock-Out Tag-Out for Salt Creek Booster has been completed. Mr. Conner stated that some devices had to be built to lock-out some of the equipment in the booster. Mr. Conner stated that staff is finalizing standard operating procedures for the boosters.

Mr. Conner stated that Distribution staff assisted WTP staff this morning in pulling Well 12 pump.

Mr. Conner stated that a shutoff will be done on Salt Creek Highway in the next week or two for Treto Construction to replace the waterline on Blair Lane in Wardwell.

Mr. Conner stated that if it stays dry in the next month or so, staff will haul the Actiflo sludge to the Balefill.

Chairman King asked for clarification on the Salt Creek Booster. Mr. Conner stated that lock-out devices had to be made because OSHA requires specific lock-out procedures for each piece of equipment. Mr. Conner stated that staff is going through all the RWS and City boosters and creating lock-out procedures. Chairman King asked if there was anything wrong with the booster. Mr. Conner stated that there is not anything wrong, it is just how the booster was designed and how the valves are, a device had to be built to go over the isolation valves.

6. There was no Public Comment.

7. In Old Business:

- a. Ms. Brown handed out the Financial Disclosure letters to Board Members Cathey and Sabrosky and explained the letters to them.

Both letters were signed during open session.

- b. There was no Other Old Business.

8. In New Business:

- a. Mr. Martin stated that the Board reviewed the Preliminary FY23 budget last month, and this month the FY23 Wholesale Water Rate will be reviewed and discussed.

Mr. Martin stated that the RWS Wholesale Water Rate Model is intended to show fund performance and guide wholesale water rate setting for FY23. Mr. Martin stated that the Board sets and approves the wholesale water rate each June to go into effect July 1 of each year. Mr. Martin stated that the FY23 Operations budget is 10% higher than the FY22 Operations budget. Mr. Martin stated that the increases are attributable to increases in personnel costs, a significant increase in chemical costs, natural gas costs, non-contract maintenance repair services, and in machinery repair supplies. Mr. Martin stated that the FY23 RWS Agency budget is 7.2% greater than the FY22 Agency budget.

Assumptions made in the development of the wholesale water rate model is as follows:

- 1) Starting fund balance information obtained from the FY21 audit.
- 2) The model assumes a 6% rate increase effective July 1, 2022.
- 3) 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.

- 4) The model assumes a 6% rate of inflation.
- 5) 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.
- 6) The recommended minimum RWS fund reserves are calculated in accordance with the RWS Fund Reserves Policy as adopted by the Board in February 2021. That policy recommends the reserves be the sum of: a) Operating Reserves – 90 days of budgeted operating expense as calculated from most recent Board approved annual budget; b) Debt Service Reserves – the greater of one-year annual principal payments or as mandated through negotiated contractual agreements and/or terms of debt issuance agreements; and c) Capital Reserves – one-year annual depreciation expense as taken from most recent annual audit.
- 7) 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 operational expenditures. The models use a Ten-Year Capital Improvement Plan (CIP) with assumed expenses and revenues for new and replacement capital projects. The capital items on the CIP represent the best projections of needed improvements and/or studies. The projects and amounts are subject to change as more detailed information becomes available. New and replacement capital improvements after four to five years also tend to be uncertain due to future regulatory requirements, system growth, future water supply needs, and available financing, etc.
- 8) The model assumes that grant/loan funding will be secured in FY25 for the Disinfection Upgrade Project.

The results for the model presented are as follows:

- Wholesale water rate increase from \$2.13/1,000 gallons to \$2.26/1,000 gallons.
- FY23 minimum required reserve is \$5.21 M.
- FY23 target fund balance is \$5.87 M.
- FY23 projected fund balance is \$5.82 M.

It needs to be emphasized that the assumptions and budget information used for the wholesale water rate models are suitable for one year only. The assumptions and budget information will have to be changed and/or adjusted for next year's wholesale water rate models incorporating the best information available at that time.

Mr. Martin asked the Board to reference the water rate model on the screen. Mr. Martin stated that the black line is the required minimum Reserve Fund amount; the green line is 10% above the minimum amount as a buffer; and the blue line is

the Reserve Fund balance. Mr. Martin stated that the Board can change the inflation and growth percentages in the model. Mr. Martin stated that inflation has grown to 8% recently.

Mr. Martin showed the Board the effect on the Reserve Fund if there is no rate increase for FY23, the Reserves drop below the minimum required amount.

Mr. Martin put the rate increase back to 6% and explained that the drop off in minimum reserves is due to the payoff of the City of Casper loan in FY24. Mr. Martin stated that the wholesale rate is reviewed every year.

Mr. Martin stated that he can show the Board how the model reacts for different rate increases.

Mr. Martin stated that the inflation rate is over 8%, but the model has a 6% increase per year for inflation.

Mr. Martin stated that with a 6% increase, the wholesale water rate would increase from \$2.13/1,000 gallons to \$2.26/1,000 gallons.

Secretary Waters asked for Mr. Martin to show a 5% rate increase for FY23 in the model. Mr. Martin changed the model to a 5% increase, and informed the Board that the balance dips below the buffer by the end of FY23 and drops more in the out years.

Board Member Cathey asked if the UV Project cost and loan repayment is included in the rate model. Mr. Martin stated that it is included in the model. Mr. Martin stated that the Board could use ARPA funding, but the draw requests on the funding have to be completed by 2026, so it may make sense to move the project ahead a bit.

Vice-Chairman Bertoglio asked if it is anticipated to use ARPA funding for the entire amount for the UV Project. Mr. Martin stated that right now it is looking like the maximum ARPA funding will be \$7.5 M in grant funding. Mr. Martin stated that it is anticipated that this project will be \$16 M. Mr. Martin stated that the Board would have to match the grant funding. Mr. Martin stated that it is better than going after a \$16 M SRF Loan. Mr. Martin stated that he thinks it would be worth it to pursue the ARPA funding. Mr. Martin stated that it would move the project up a couple of years on the timeline if the Board is successful in getting the funding.

Vice-Chairman Bertoglio stated that goes back to when he was asking about phasing of the project at the last meeting.

Chairman King asked what the rate changed to with the 5% increase. Mr. Martin stated that the rate changes to \$2.24/1,000 gallons with a 5% increase. Mr. Martin stated that the lower the rate is in FY23, the higher it will be in the out years. Mr. Martin stated that he agrees with trying to smooth out the rate so there is a

consistent rate increase each year. Mr. Martin stated that one concern he has is the 6% rate of inflation, when it is already over 8%.

Vice-Chairman Bertoglio asked if the anticipated price increases are built in the model. Mr. Martin stated that they are.

Chairman King asked for a 7% increase to be shown in the rate model for FY23, and 1% for the out years. Mr. Martin stated that the last year shows that it will dip below the buffer. Mr. Martin stated that the rate would be \$2.28/1,000 gallons.

Board Member Sutherland asked Mr. Martin to show a 4% increase for each year. Board Member Sutherland stated that she has a problem with the black and the green line in the model. Board Member Sutherland stated that she does not understand the purpose of the green line as a reference point, and asked if it is worth having the buffer as long as reserves stay above the minimum reserve line. Mr. Martin stated that the green line just shows the Board that they are getting close to minimum reserves and they need to be cautious. Mr. Martin stated that one thought was that if the green line wasn't there, the Board would have a tendency to operate closer to the minimum reserve and have more of a chance of dipping into the reserves. Mr. Martin stated that with the 4% rate increase, it does show that the Board would be operating over the minimum reserves.

Secretary Waters asked Mr. Martin to put 6% in FY23, and 2% for the out years. Mr. Martin put in the requested figures and stated that the lower the rate increase for FY23, the higher the rate increase will need to be for the out years.

Vice-Chairman Bertoglio stated that the rate model on the expense side has all the expected increases, and asked if 6% is added on top of that in the out years. Mr. Martin stated that was correct, the 6% rate of inflation carries out over every year. Vice-Chairman Bertoglio asked if Mr. Martin anticipated any of the increased costs going down. Mr. Martin stated that he does not anticipate any costs going down; prices just keep climbing. Mr. Martin stated that he doesn't see the costs going down unless production from the wellfield is increased, and less chemicals are used for the Surface Water Plant.

Board Member Cathey stated that he believes the report stated that there should be a reduction in chemicals when the UV system is installed. Mr. Martin stated that with the addition of UV, less Ozone will be used, so there will be a little bit of savings there.

Vice-Chairman Bertoglio stated that ideally, the Board wants to be on the green line, and asked if that was correct. Mr. Martin stated that it would be ideal to track with the green line as it keeps reserves above the minimum and gives a buffer.

Vice-Chairman Bertoglio stated that he likes 5% for FY23 as it gets it pretty close to the buffer, and anything with the out years still has plenty of play in it.

Secretary Waters agreed that 5% for FY23 is right, and the out years can be figured out then.

Chairman King stated that 5% or 6% would do well.

Vice-Chairman Bertoglio asked if the Board is picking the rate right now. Mr. Martin stated that he would just like good direction from the Board as to what they would like brought back for approval at the June meeting. Mr. Martin stated that the budget will have to be adjusted depending on what direction the Board gives.

Secretary Waters stated that the Board doesn't really know what the prices will be for FY23-24, or where inflation will end up. Secretary Waters stated that he is hopeful that costs will start trending down.

Board Member Sabrosky asked if there is a really good year and the reserves increase dramatically, will the Board look at doing a rate reduction. Mr. Martin stated that could be considered, but he is not advocating for it.

Board Member Sabrosky asked Mr. Martin to change the rate model to 4% in FY23, and 0% in the out years. Board Member Sabrosky stated that it pretty much follows the buffer line. Mr. Martin stated that one of the concerns that the Board tries to avoid is that if they do go a few years with no rate increase, they will end up with a high rate increase, over 10%. Board Member Sabrosky asked if the rate that will be approved will just be for next year, and the rates for the out years is just a projection. Mr. Martin stated that was correct. Vice-Chairman Bertoglio stated that the City of Casper did no increase for a couple of years back in the 1990's and ended up having to do an increase of 34%.

Board Member Cathey stated that Mr. Martin told the Board that he was hoping the Board would be able to get \$7.5 M from ARPA for the UV System Project. Mr. Martin stated that would be grant funding. Board Member Cathey stated that the Board would then need to come up with another \$8 M. Mr. Martin stated that the most likely option would be a SLIB loan. Board Member Cathey asked how much cash the Board would need to come up with for the funding. Mr. Martin stated that the Board could get a loan from SRF to cover all the matching funding for the grant, or the Board could get \$7.5 M in grant, \$6 M from SRF, and the rest from reserves. Board Member Cathey stated that he was wondering if the Board needed to build up extra reserves to cover an upcoming expense, but if it's possible to get funding to cover the whole project, then the Board would just need to worry about covering operations. Mr. Martin stated that if the Board wanted to build up reserves to cover an upcoming project they would need to have a higher rate increase over a few years. Mr. Martin stated that this was discussed with Ms. Johnson when the reserves weren't making much interest and it would make a big hit on the rates, and it was determined that it would be better to go out for funding. Mr. Martin stated that if there was a project the Board wanted to fund themselves, that is an option.

Mr. Mischel from Sandy Lake Water asked what the difference is in dollar value between the reserve minimum and the buffer. Board Member Cathey stated that it is approximately \$750,000. Mr. Mischel stated that is a pretty minimum buffer.

Board Member Sutherland asked Mr. Martin to put 4% back in the rate model. Board Member Sutherland stated that she feels that if there is a buffer there for a reason, she is not sure that it's bad to go slightly below the buffer, but still be in the buffer zone. Board Member Sutherland stated that she feels that a 4% increase would be fine if it helps even out increases over time.

Secretary Waters stated that with the price increases that are going on right now, it makes him nervous to go below minimum reserves with not knowing where things are going to end up. Board Member Sutherland stated that a 4% increase wouldn't go below the minimum reserve, just dip down into the buffer zone.

Board Member Sabrosky asked what the average residential water bill amount is for Casper. Mr. Martin stated that he thinks it is around \$40 a month for just water, but every entity is different, and the RWS wholesale water rate is passed on to all the entities. Board Member Sabrosky stated that then it will be about another \$2 on the resident's bill. Mr. Martin stated that is just the RWS increase as each entity has their own cost increase that is added. Board Member Sabrosky stated that he agrees with Board Member Sutherland with the 4% increase because people are getting hit with increases from everywhere.

Mr. Martin asked what the Board would like prepared for next month.

Treasurer Freel asked what staff recommended for a rate increase. Mr. Martin stated that staff recommends a 6% rate increase. Chairman King stated that he recommends a 6% rate increase as well. Secretary Waters stated that he would be comfortable with a 5% or 6% rate increase. Board Member Cathey stated that with all the uncertainty he doesn't want reserves to go below the buffer because inflation continues to increase, and when there is only a \$750,000 buffer, it doesn't take much to use it up. Board Member Cathey stated that he would agree with the compromise of a 5% rate increase, which is between the 4% and 6% increase. Mr. Martin stated that the uncertainty of cost increases is what is most concerning to staff.

Secretary Waters stated that he is usually the one that roots for the low income and fixed income residents, but the inflation increases have him concerned.

It was the consensus of the Board to move forward with a 5% rate increase to be considered at the June 2022 meeting.

- b. Mr. Martin stated that a letter has been prepared to Wyoming DEQ for the Chairman's signature. Mr. Martin stated that RWS has a discharge permit with DEQ for over at the Raw Water Building. Mr. Martin stated that when the Surface Water and Groundwater are running, discharge goes into the lagoons, and is then pumped back to Raw Water. Mr. Martin stated that when the Surface

Water Plant is running, the discharged water is recycled and treated through the Surface Water Plant. Mr. Martin stated that in the off months when the Surface Water Plant is not operating, the water can't be recycled to be treated. Mr. Martin stated that if something should happen, such as a high turbidity event, the water cannot be sent out to the system, and it must be sent to the lagoons and then is discharged into the river.

Mr. Martin stated that this permit is renewed every five years. Mr. Martin stated that last time the permit was renewed, a change was made in the screen wash water which required a change to the permit. Mr. Martin stated that during that communication the fact that water could be discharged in the off months somehow fell through the cracks. Mr. Martin stated that the permit does not include discharging in the off season when the Surface Water Plant is not operating. Mr. Martin stated that he and Mr. Edwards have been reviewing this and want to make sure that the discharge is covered by the permit with DEQ. Mr. Martin stated that the letter is requesting DEQ include an emergency discharge so if something happens during the off months when the Surface Water Plant is not running, and Groundwater has to be diverted to the lagoons and back to the river discharge that it is covered in the permit. Mr. Martin that the letter is requesting that emergency discharge is included in the discharge permit.

Board Member Sabrosky asked if there is a fee associated with the permit and discharge. Mr. Martin stated that there is not a fee associated with the permit or discharge.

Vice-Chairman Bertoglio asked when this happens, is the water that is discharged raw water, or does it have chemicals in it. Mr. Martin stated that there is a possibility that it could have chemicals in it. Secretary Waters stated that if it goes through the water plant, it could have a residual. Mr. Martin stated that the Actiflo lagoon has residual ferric in it. Mr. Martin stated that how this is operated, is at the end of the summer season when the Surface Water Plant is shut down, the lagoons will be drained down to empty, and then there should be enough room to hold the process water until the next season. Mr. Martin stated that in the case of a high turbidity event, or off spec water that can't be put into the system, it has to go somewhere.

A motion was made by Secretary Waters and seconded by Treasurer Freel to authorize the Chairman to sign the letter to DEQ and send it to them. Motion put and carried.

- c. In Other New Business, Mr. Martin stated that Budget Reallocation No. 2022-05 in the amount of \$33,000 is to move funds that were budgeted for a cooling water pump for the Ozone system to purchase a mag meter replacement for the Decant Pump Station. Mr. Martin stated that since the Ozone system will be replaced, a spare pump is not needed, and the Decant Pump Station mag meter has failed. Mr. Martin stated that this is capital funding that has been approved by the Board, and is just being reallocated from one project to another. Mr. Martin stated that this reallocation is to satisfy auditing and State reporting requirements.

A motion was made by Secretary Waters and seconded by Board Member Sutherland to approve Budget Reallocation No. 2022-05 in the amount of \$33,000. Motion put and carried.

9. A motion was made by Secretary Waters and seconded by Board Member Sutherland to move into Executive Session at 12:23 p.m. Motion put and carried.

A motion was made by Vice-Chairman Bertoglio and seconded by Secretary Waters to adjourn Executive Session and move back into Regular Session at 12:37 p.m. Motion put and carried.

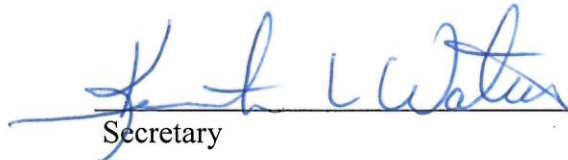
Chairman King called the Regular Session to order at 12:37 p.m.

A motion was made by Board Member Cathey and seconded by Vice-Chairman Bertoglio as follows: I hereby move this Board ratify and reaffirm the authority granted the Board's counsel, Charles S. Chapin, at the board meeting conducted March 23, 2021, to undertake any and all actions he deems appropriate, including the filing and prosecution of litigation to conclusion, which includes all actions taken during the litigation, to challenge the imposition by the City of Mills of a franchise tax/fee upon the Central Wyoming Regional Water System, pertaining to the insitu water lines located under property located within the City. Further, this motion shall act as a direct response to the City of Mills' argument that the lawsuit initiated by Central Wyoming Regional Water has not been properly approved in a public meeting, and to effectuate a cure or remedy for the stated allegation, pursuant to Wyoming law. Motion put and carried with Board Members Sabrosky and Sutherland abstaining from the vote.

10. In the Chairman's Report, Chairman King stated that the next regular meeting would be held on June 21, 2022.

A motion was made by Board Member Cathey and seconded by Vice-Chairman Bertoglio to adjourn the meeting at 12:41 p.m. Motion put and carried.


Chairman


Secretary