

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE  
**BACA GRANDE WATER AND SANITATION DISTRICT**

**March 27, 2020**

9:00 AM

District Office - 57 Baca Grant Way South  
Crestone, Colorado 81131

Meeting held via Zoom due to COVID-19

**ATTENDANCE**

Directors in Attendance:

John Loll  
Robert Salmi  
Gregg Conlee  
Michael Scully  
Bill Peck

Also in Attendance:

Marcus Lock; Law of the Rockies  
Cathy Fromm; Fromm and Company  
JoAnn Slivka; District Manager  
Andrew Rheem; Raftelis

Members of the Public:

Daniel Gray

**CALL TO ORDER**

President Loll opened the meeting at 9:00 AM with a sincere thank you to the Baca Grande Water and Sanitation District staff in their efforts and commitment to the community during this unrepresented time with the COVID-19 emergency.

**DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST**

Attorney Lock has discussed with the Board the requirements pursuant to Colorado law to disclose any potential conflicts of interest or potential breaches of fiduciary duty to the Baca Grande Water and Sanitation District Board of Directors and to the Secretary of State. It was noted that a quorum was present and members of the Board were requested to disclose any potential conflicts of interest with regard to any matters scheduled for discussion at this meeting. No new disclosures were made.

**AGENDA**

MOTION: FOLLOWING DISCUSSION, UPON MOTION DULY MADE BY DIRECTOR CONLEE, SECONDED BY DIRECTOR SALMI AND UPON VOTE, UNANIMOUSLY CARRIED, THE BOARD APPROVED THE AGENDA.

**CONSENT AGENDA**

The board considered the following consent agenda items:

Approve Minutes from the February 21, Regular Meeting

MOTION: FOLLOWING DISCUSSION, UPON MOTION DULY MADE BY DIRECTOR SALMI, SECONDED BY DIRECTOR PECK AND UPON VOTE, UNANIMOUSLY CARRIED, THE BOARD APPROVED THE CONSENT AGENDA AS AMENDED; TO MOVE THE RATIFICATION OF THE INDEPENDENT CONTRACTOR AGREEMENT BETWEEN THE DISTRICT AND GOVPRO CONSULTING, LLC TO THE REGULAR AGENDA

**PUBLIC COMMENT** (ITEMS NOT ON THE AGENDA ONLY. COMMENTS LIMITED TO THREE MINUTES PER PERSON AND TAKEN IN ORDER LISTED ON SIGN IN SHEET)

Dan Gray-3898 Rarity Way: Mr. Gray claimed that the District had not complied with the thirty-day meeting notice as it relates to a Public Hearing for rate increases. Ms. Slivka confirmed for the Board that the meeting had been properly noticed.

**BOARD AND STAFF REPORTS**

The board reviewed and discussed the reports incorporated herein by this reference.

**FINANCIAL MATTERS**

Financial Statements: Ms. Fromm reviewed the unaudited financial statements with the board.

Check Register: The board considered approval of the check register through the period ending March 20, 2020 as follows:

General	\$	8898.88
Capital Projects	\$	104,283.62
<u>Enterprise</u>	<u>\$</u>	<u>29,498.25</u>
	\$	142,680.75

MOTION: FOLLOWING DISCUSSION, UPON MOTION DULY MADE BY DIRECTOR CONLEE, SECONDED BY DIRECTOR SCULLY, AND, UPON VOTE, UNANIMOUSLY CARRIED, THE BOARD APPROVED THE PAYMENT TO AVALANCHE EXCAVATION AND THE CHECK REGISTER FOR THE PERIOD ENDING MARCH 20, 2020.

**LEGAL MATTERS:**

**Resolution No: 2020-03-01 RATIFICATION OF THE INDEPENDENT CONTRACTOR AGREEMENT BETWEEN THE DISTRICT AND GOVPRO CONSULTING, LLC**

MOTION: FOLLOWING DISCUSSION, UPON MOTION DULY MADE BY DIRECTOR CONLEE, SECONDED BY DIRECTOR SALMI AND UPON VOTE, UNANIMOUSLY CARRIED, THE BOARD RATIFIED RESOLUTION 2020-03-01, THE INDEPENDENT CONTRACTOR AGREEMENT BETWEEN THE BACA GRANDE WATER AND SANITATION DISTRICT AND GOVPRO CONSULTING TO APPROVE AND REPLACE RENÉ EVENSON AS DEO WITH JUDY EGBERT OF GOVPRO CONSULTING.

**Public Hearing to Adopt Resolution No: 2020-03-02 Sixth Amended and Restated Resolution of the Board of Directors of the Baca Grande Water and Sanitation District Concerning the Imposition of Various Fees, Rates, Penalties and Charges for Water and Sanitary Sewer Services and Facilities**

Director Loll opened the public hearing to consider the proposed 2020 Rate Increase at 9:30 AM. Ms. Slivka confirmed that 30-days advance notice of the Board's consideration of the adoption of the 2020 Rate Increase and the date, time and place of the public hearing was provided in a newspaper having general circulation within the District as well as on the official website of the District to which there is a link on the official website of DOLA's Division of Local Government. No written objections were received prior to this public hearing.

Mr. Rheem lead the discussion and reviewed the updates made from comments received after his recent Rate Study presentation given at the February meeting. His recommendation is to increase the ¾" water service fee from \$28 per month to \$35 per month and increase the sewer service fee from \$28 per month to \$32.20 per month in 2020. Then increase the ¾" water service fee from \$35 per month to \$ 43.75 per month and increase the sewer service fee from \$32.20 per month to \$37.03 per month in 2021.

**Public Comment:**

Mr. Gray commented about his issue with the District's lack of transparency. He agrees the presentation was good but feels the District could have published a "real ad" in the Crestone Eagle instead of burying it in the classifieds. He feels transparency is the most of important thing the District should do. It was noted that today's agenda was also sent to the Town of Crestone, The Baca Grande POA, the seven prospective Board of Director candidates among others, inviting them to today's meeting.

No additional public comments were received and the public hearing was closed at 10:40 AM.

MOTION: FOLLOWING DISCUSSION, UPON MOTION DULY MADE BY DIRECTOR LOLL, SECONDED BY DIRECTOR SALMI, AND, UPON VOTE, UNANIMOUSLY CARRIED, THE BOARD APPROVED RESOLUTION 2020-03-02 AND AUTHORIZED DIRECTOR LOLL TO SIGN THE RESOLUTION CONSISTENT WITH THE ATTACHED RATE RECOMMENDATION SHEET.

Meter Size	Equivalent Residential Units	Current	Proposed	
			April 1, 2020	January 1, 2021
<b>Water Base Rate</b>				
3/4-inch	1.0	\$28.00	\$35.00	\$43.75
1-inch	2.0	56.00	70.00	87.50
1 1/2-inch	5.0	140.00	175.00	218.75
2-inch	8.0	224.00	280.00	350.00
3-inch	16.0	448.00	560.00	700.00
4-inch	36.0	1,008.00	1,260.00	1,575.00

Tier	Water Allowance (1)	Current	Proposed	
			April 1, 2020	January 1, 2021
1	0 to 4,000 gallons	\$0.00	\$0.00	\$0.00
2	4,001 to 10,000 gallons	1.50	1.88	2.35
3	Over 10,000 gallons	3.00	3.75	4.69

(1) Water allowances increased by meter size using the EQR ratio, also applied to the water and sewer base rates by meter size.

Meter Size	Equivalent Residential Units	Current	Proposed	
			April 1, 2020	January 1, 2021
<b>Sewer Base Rate</b>				
3/4-inch	1.0	\$28.00	\$32.20	\$37.03
1-inch	2.0	56.00	64.40	74.06
1 1/2-inch	5.0	140.00	161.00	185.15
2-inch	8.0	224.00	257.60	296.24
3-inch	16.0	448.00	515.20	592.48
4-inch	36.0	1,008.00	1,159.20	1,333.08

## CAPITAL IMPROVEMENT PROJECTS

### Manhole Replacement Project:

The Stables Manhole Replacement Project has been completed successfully without incident. The portion along Badger Road went smoothly. Staff delivered flyers to area residents notifying them the project would begin along Badger Road during the month of March and notice was published on the district web site. We thank the Baca Grande POA for their cooperation in delivering the message to the community as well.

### OTHER BUSINESS:

#### Crestone-Baca Energy-Water Microgrid Demonstration Project Concept Paper

Director Loll provided a brief description regarding the project. There was a Fund Opportunity Announcement (FOA) that was issued by the Department of Energy (DOE) looking at potential solar and other renewal energy projects. On behalf of the Baca Grande Water and Sanitation District, a non-binding letter of intent and concept paper was submitted that reserved our place in this process. If we are successful and are invited to participate there will be several more steps to complete, including a submittal of full application. This project aligns with the District's mission statement. If the DOE invites us to participate in the project and there is the possibility of receiving a grant, we will need to submit a full application by May 21, 2020. With the advent of Covid-19, dates are changing already. The Board directed Ms. Slivka to circulate the Concept Paper to the Directors.

### COVID-19

Ms. Slivka reported on activities the District has performed regarding COVID-19. PPE was ordered early on and we are following the guidelines and information from the CDC (Centers for Disease Control and Prevention) and CDPHE (Colorado Department of Health and Environment). EPA (Environmental Protection Agency) best practices for water and wastewater personnel have been posted. We receive and to the extent possible abide by the Saguache County Emergency Management and Public Health Department's Public Service Announcements.

Director Conlee commented that a community group has just started to assist during emergencies. Currently, they are delivering food for area residents in need. He reported that people are expressing concerns as to what the District is doing and what we are doing to protect our customers during this time. Further discussion continued as to the status of District personnel. Ms. Slivka responded that the District interviewed four candidates for two temporary positions. Offers were made and accepted with an expected start date of April 1.

The board expressed appreciation and agreed to support staff and their families in any way they are able.

### EXECUTIVE SESSION MATTERS - §24-6-402(4) (a), (b), (e)(I), and (f)(I), C.R.S.

MOTION: DIRECTOR CONLEE MOVED AND DIRECTOR LOLL SECONDED THAT THE BOARD OF DIRECTORS ENTER INTO EXECUTIVE SESSION FOR THE PURPOSES OF RECEIVING LEGAL ADVICE, REGARDING PROPERTY MATTERS, AND CONFERENCES WITH THE DISTRICT ATTORNEY REGARDING;

A. RMS OUTSTANDING INVOICE

B. GOLF COURSE

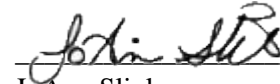
MOTION: DIRECTOR SCULLY MOVED AND DIRECTOR CONLEE SECONDED THAT THE BOARD OF DIRECTORS RECONVENE TO REGULAR SESSION AT 12:33 PM.

### ADJOURNMENT:

THERE BEING NO FURTHER BUSINESS TO DISCUSS, UPON MOTION DULY MADE BY DIRECTOR SCULLY SECONDED BY DIRECTOR CONLEE AND UPON VOTE, UNANIMOUSLY CARRIED, THE MEETING WAS ADJOURNED AT 12:42 PM.

THE NEXT REGULAR MEETING IS SCHEDULED FOR  
April 17, 2020

Respectfully submitted,

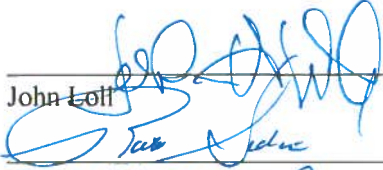


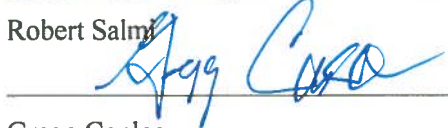
---

JoAnn Slivka

Secretary for the meeting

THESE MINUTES ARE APPROVED AS THE OFFICIAL March 27, 2020 MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:

  
\_\_\_\_\_  
John Loh

  
\_\_\_\_\_  
Robert Salm

Gregg Conlee

Michael Scully  
  
\_\_\_\_\_  
William Peck

7/17/2020

THESE MINUTES ARE APPROVED AS THE OFFICIAL March 27, 2020 MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:

---

John Loll

---

Robert Salmi

---

Gregg Conlee

---

Michael Scully

---

William Peck

ATTORNEY STATEMENT

Regarding Privileged Attorney-Client Communication

Pursuant to §24-6-402(2)(d.5)(II)(B), C.R.S., I attest that, in my capacity as the attorney representing the Baca Grande Water and Sanitation District, I attended the executive sessions on March 27, 2020, and it is my opinion that the portion of the executive session that was not recorded constituted attorney-client privileged communications.



---

Marcus J. Lock

General Counsel

Baca Grande Water and Sanitation District



**Public Meeting Notice Requirements:**

(2) (a) The governing body of any special district furnishing domestic water or sanitary sewer services directly to residents and property owners within or outside the district may fix or increase fees, rates, tolls, penalties, or charges for domestic water or sanitary sewer services only after consideration of the action at a public meeting held at least thirty days after providing notice stating that the action is being considered and stating the date, time, and place of the meeting at which the action is being considered. Notice must be provided to the customers receiving the domestic water or sanitary sewer services of the district in one or more of the following ways:

(I) Mailing the notice separately to each customer of the service on the billing rolls of the district;

(II) Including the notice as a prominent part of a newsletter, annual report, billing insert, billing statement, letter, or other notice of action, or other informational mailing sent by the special district to the customers of the district;

(III) Posting the information on the official website of the special district if there is a link to the district's website on the official website of the division; or

(IV) For any district that is a member of a statewide association of special districts formed pursuant to section 29-1-401, C.R.S., by mailing or electronically transmitting the notice to the statewide association of special districts, which association shall post the notice on a publicly accessible section of the association's website.

(b) The power to fix or increase fees, rates, tolls, penalties, or charges for domestic water or sanitary sewer services is a legislative power of the district board and is not changed by the provisions of this section.

(c) No action to fix or increase fees, rates, tolls, penalties, or charges for domestic water or sanitary sewer services may be invalidated on the grounds that a person did not receive the notice required by this section if the district acted in good faith in providing the notice. Good faith is presumed if the district provided the notice in one or more of the ways listed in paragraph (a) of this subsection (2).

**NOTICE OF INTENT TO FIX OR INCREASE FEES, RATES, TOLLS, PENALTIES OR CHARGES FOR WATER  
AND/OR SANITARY SEWER SERVICE**

NOTICE IS HEREBY GIVEN that, pursuant to § 32-1-1001(2)(a), C.R.S., the Board of Directors for the Baca Grande Water and Sanitation District (the “District”) will consider whether to fix and/or increase the fees, rates, tolls, penalties or charges for water and/or sanitary sewer service at a public meeting to be held on **March 27, 2020, at 9:00 A.M.**, at the Baca Grande Water and Sanitation District Office, 57 Baca Grant Way, Crestone, Colorado. Any interested member of the public may attend the public meeting.

BY ORDER OF THE BOARD OF DIRECTORS:  
BACA GRANDE WATER AND SANITATION DISTRICT



NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT AS FOLLOWS:

1. Judy Egbert of GovPro Consulting, LLC is hereby appointed as the “Designated Election Official” of the Board for any elections to be held during 2020 and any subsequent year. The Board hereby grants all powers and authority for the proper conduct of the election to the Designated Election Official, including, but not limited to, appointing election judges, appointing a canvass board and cancellation, if applicable, of the election.

Whereupon, the motion was seconded by Director Salmi, and upon vote, unanimously carried.

ADOPTED AND APPROVED this 27th day of March, 2020.

BACA GRANDE WATER AND SANITATION  
DISTRICT, a quasi-municipal corporation and  
political subdivision of the State of Colorado

---

John Loll, President

ATTEST:

---

Robert Salmi, Vice-President

**CERTIFICATION**

I, Robert Salmi, Vice-President of the Board of the Baca Grande Water and Sanitation District, do hereby certify that the annexed and foregoing resolution is a true copy from the records of the proceedings of the Board of said District on file at the District Office.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the District this 27th day of March, 2020.

---

Robert Salmi, Vice-President

**Resolution No. 2020-03-02**

**SIXTH AMENDED AND RESTATED RESOLUTION  
OF THE  
BOARD OF DIRECTORS  
OF THE  
BACA GRANDE WATER AND SANITATION DISTRICT**

**CONCERNING THE IMPOSITION OF VARIOUS FEES, RATES, PENALTIES AND  
CHARGES FOR WATER AND SANITARY SEWER SERVICES AND FACILITIES**

---

WHEREAS, the Baca Grande Water and Sanitation District (the “**District**”) was formed pursuant to §§ 32-1-101, *et seq.*, C.R.S., as amended (the “**Special District Act**”), by order of the District Court for Saguache County, Colorado, and after approval of the District’s eligible electors at an election; and

WHEREAS, pursuant to § 32-1-1001(1)(h), C.R.S., the Board of Directors of the District (the “**Board**”) shall have the management, control and supervision of all the business and affairs of the District; and

WHEREAS, the Board has determined it to be in the best interests of the District, and the property owners, taxpayers, and residents of the District, to acquire, construct, operate and maintain certain amenities and facilities benefitting property and inhabitants within the District, which amenities and facilities generally include water and sanitary sewer improvements, facilities, appurtenances and rights-of-way (collectively, the “**Facilities**”); and

WHEREAS, the Board has determined it to be in the best interests of the District, and the property owners, taxpayers, and residents of the District, to provide certain water and sanitary sewer services to property and inhabitants within and without the boundaries of the District (collectively, the “**Services**”); and

WHEREAS, pursuant to § 32-1-1001(1)(j)(I), C.R.S., the District is authorized to fix and impose fees, rates, tolls, penalties and charges for services or facilities furnished by the District which, until such fees, rates, tolls, penalties and charges are paid, shall constitute a perpetual lien on and against the property served; and

WHEREAS, the District incurs certain direct and indirect costs associated with the acquisition, construction, installation, repair, replacement, improvement, reconstruction, operation and maintenance of the Facilities, as necessary, inclusive of the costs of utilities and capital replacement costs (collectively, the “**Facility Costs**”) in order that the Facilities may be properly provided and maintained; and

WHEREAS, the District incurs certain direct and indirect costs associated with the provision of the Services in order that the Services may be properly provided, the property within

and without the District maintained, and the health, safety and welfare of the District, its users and its inhabitants may be safeguarded (collectively, the “**Service Costs**”); and

WHEREAS, the District incurs administrative and operational costs when property is transferred from one owner to another owner or lots are consolidated; and

WHEREAS, the establishment and continuation of fair and equitable fees and charges (collectively, the “**Fees and Charges**”) to provide a source of funding to pay for the Facility Costs and the Service Costs, (collectively, the “**Costs**”), which Costs are generally attributable to the persons and/or properties subject to such Fees and Charges, is necessary to provide for the common good and for the prosperity and general welfare of the District and its inhabitants and for the orderly and uniform administration of the District’s affairs; and

WHEREAS, pursuant to § 32-1-1006(1)(g), C.R.S., the District is empowered to fix and from time to time increase or decrease tap fees; and

WHEREAS, the establishment of a fair and equitable fee (the “**System Development Fee**” or “**Tap Fee**”) to provide a source of funding to pay for the initial capital direct and indirect costs associated with the construction, installation and acquisition of the Facilities (the “**Capital Facilities Costs**”), which Capital Facilities Costs are generally attributable to each Lot and Commercial Lot (defined below), is necessary to provide for the common good and for the prosperity and general welfare of the District, its users and its inhabitants; and

WHEREAS, pursuant to §32-1-1001(2), C.R.S., the Board, as a governing body furnishing domestic water or sanitary sewer services directly to residents and property owners within or outside of the District, may fix or increase fees, rates, tolls, penalties or charges for domestic water or sanitary sewer services only after consideration of the action at a public meeting held at least thirty (30) days after providing notice stating that the action is being considered and stating the date, time and place of the meeting at which the action is being considered; and

WHEREAS, pursuant to § 32-1-1001(2)(a), C.R.S., the Board provided the required thirty (30) days’ notice to the residents and property owners within and outside of the District; and

WHEREAS, the District finds that the Fees and Charges and Tap Fee (as defined below), as set forth in this Resolution, are reasonably related to the overall cost of providing the Facilities and Services and paying the Costs and Capital Facilities Costs, and that imposition thereof is necessary and appropriate; and

WHEREAS, on May 18<sup>th</sup>, 2018, the Board adopted Resolution No. 2018-05-01, the Fifth Amended and Restated Resolution of the Board of Directors of Baca Grande Water and Sanitation District Concerning the Imposition of Various Fees, Rates, Tolls, Penalties and Charges for Water and Sewer Services and Facilities (the “**Prior Fee Resolution**”); and

*Sixth Amended Resolution of the Board of Directors of the Baca Grande Water and Sanitation District  
Concerning the Imposition of Various Fees, Rates, Penalties and Charges for Water and Sanitary Sewer Services  
and Facilities*

WHEREAS, the Board desires to adopt this Resolution to update the Prior Fee Resolution; and to amend and restate the Prior Fee Resolution in its entirety. Any fees, rates, tolls, penalties or charges due under the Prior Fee Resolution, to the extent outstanding and unpaid, shall remain in effect until fully paid and shall not be eliminated hereby.

NOW, THEREFORE, be it resolved by the Board as follows:

1. DEFINITIONS. Except as otherwise expressly provided or where the context indicates otherwise, the following capitalized terms shall have the respective meanings set forth below:

“**Consolidation**” shall include every action by which separate parcels of real property are combined into one parcel of real property.

“**District Boundaries**” means the legal boundaries of the District, as the same are established and amended from time to time pursuant to §§32-1-101, *et seq.*, C.R.S., as well as properties outside of the District’s legal boundaries which receive service from the District, all as more particularly set forth in the map and legal description attached hereto as **Exhibit B** and incorporated herein by this reference.

“**Due Date**” means the date by which the Fees and Charges and Tap Fee are due, which Due Date is reflected on the Schedule of Fees.

“**Fee Schedule**” or “**Schedule of Fees and Charges**” means the schedule of fees set forth in **Exhibit A**, attached hereto and incorporated herein by this reference, until and unless otherwise amended and/or repealed.

“**Lot**” means each parcel of land established by a recorded final subdivision plat and which is located within the District Boundaries.

“**Property Owner**” shall include all owners of real property, customers, users, residents, leaseholders and other recipients of District services.

“**Residential Unit**” means each residential dwelling unit (including, without limitation, condominiums, townhomes, and any other attached dwelling unit and detached single family dwelling units) located within the District Boundaries.

“**Transfer**” or “**Transferred**” shall include a sale, conveyance or transfer by deed, instrument, writing, lease or any other documents or other means by which real property is sold, granted, let, assigned, transferred, exchanged or otherwise vested in a tenant, tenants, purchaser, or purchasers.

“**Vacant Lot**” means each parcel of land within the District established by a recorded final subdivision plat, but specifically excluding any parcel upon which one or more Residential Units are situated and specifically excluding any parcel owned by the District.

2. THE FEES AND CHARGES.

a. Service Fees and Charges. The Board has determined, and does hereby determine, that it is in the best interests of the District and its respective residents, users and property owners to impose, and does hereby impose the Fees and Charges set forth in the Schedule of Fees and Charges to fund the Costs. The Fees and Charges are hereby established and imposed in an amount as set forth by the District from time to time pursuant to an annual “Fee Schedule” and shall constitute the rate in effect until such schedule is amended or repealed. The current Fee Schedule is set forth in **Exhibit A**, attached hereto and incorporated herein by this reference.

b. Transfer and Consolidation Payment. The Fees shall include a separate payment imposed on Transfers or Consolidations of a Lot (the “**Transfer and Consolidation Fee**”). The Transfer and Consolidation Fee shall be imposed on any and all Transfers or Consolidations of a Lot by a Property Owner, except as set forth below. The Transfer and Consolidation Fee shall be imposed on each separate Lot that is being consolidated into a single, combined Lot. For purposes of clarity, the Transfer and Consolidation Fee for a Consolidation shall be calculated based on the number of separate Lots that are being consolidated into a single, combined Lot, such that if two separate Lots are being consolidated into a single, combined Lot, the Transfer and Consolidation Fee shall be doubled, and if three separate Lots are being consolidated into a single, combined Lot, the Transfer and Consolidation Fee shall be tripled. The Transfer and Consolidation Fees shall not apply to any of the following Transfers, except to the extent the District determines that such exception is being undertaken for the purpose of improperly avoiding the Fees and Charges:

i. Any Transfer wherein the United States, or any agency or instrumentality thereof, the State of Colorado, any county, city and county, municipality, district or other political subdivisions of this State, is either the grantor or the grantee.

ii. Any Transfer by document, decree or agreement partitioning, terminating or evidencing termination of a joint tenancy, tenancy in common or other co-ownership; however, if additional consideration or value is paid in connection with such partition or termination the Transfer and Consolidation Fee shall apply.

iii. Any Transfer of title or change of interest in real property by reason of death, pursuant to a will, the law of descent and distribution, or otherwise.



iv. Any Transfer made and delivered without consideration for the purpose of: confirming, correcting, modifying or supplementing a Transfer previously made; making minor boundary adjustments; removing clouds of title; or granting easements, rights-of-way or licenses.

v. Any decree or order of a court of record quieting, determining, or declaring title, except for a decree of foreclosure.

vi. Transfers to secure a debt or other obligation, or releases other than by foreclosure, which is security for a debt or other obligation.

vii. Transfers pursuant to a decree or separation of divorce.

c. The Board has determined, and does hereby determine, that the Fees and Charges are reasonably related to the overall cost of providing the Facilities and Services, and are imposed on those who are reasonably likely to benefit from or use the Facilities and Services.

d. The revenues generated by the Fees and Charges will be accounted for separately from other revenues of the District, specifically *ad valorem* property tax revenues, if applicable. The revenue from Fees and Charges will be used solely for the purpose of paying Costs, and, if *ad valorem* property tax revenues are available, may not be used by the District to pay for general administrative costs of the District. This restriction on the use of the Fees and Charges revenue shall be absolute and without qualification.

e. The Board has determined, and does hereby determine, that the Fees and Charges are calculated to defray the cost of funding the Costs and to reasonably distribute the burden of defraying the Costs in a manner based on the benefits received by persons paying the fees and using the Facilities and Services.

3. WATER TAP FEE/SEWER TAP FEE. A one-time Water Tap Fee/Sewer Tap Fee is hereby established and imposed upon each Residential Unit within the District Boundaries in the amounts set forth in the Schedule of Fees and Charges.

4. LATE FEES AND INTEREST. Pursuant to § 29-1-1102(3), C.R.S., any Fees and Charges and Tap Fee not paid in full within fifteen (15) days after the scheduled due date will be assessed a late fee in the amount of Fifteen Dollars (\$15.00) or up to five percent (5%) per month, or fraction thereof, not to exceed a total of twenty-five percent (25%) of the amount due. Interest will also accrue on any outstanding Fees and Charges and Tap Fee, exclusive of assessed late fees, penalties, interest and any other costs of collection, specially including, but not limited, to attorney fees, at the rate of 18% per annum, pursuant to § 29-1-1102(7), C.R.S. The District may institute such remedies and collection procedures as authorized under Colorado law, including, but not

***Sixth Amended Resolution of the Board of Directors of the Baca Grande Water and Sanitation District  
Concerning the Imposition of Various Fees, Rates, Penalties and Charges for Water and Sanitary Sewer Services  
and Facilities***

limited to, foreclosure of its perpetual lien. The defaulting property owner shall pay all fees and costs, specifically including, but not limited to, attorneys' fees and costs and costs associated with the collection of delinquent fees, incurred by the District and/or its consultants in connection with the foregoing.

5. PAYMENT. Payment for all fees, rates, tolls, penalties, charges, interest and attorney fees shall be made by check or equivalent form acceptable to the District, made payable to "Baca Grande Water and Sanitation District" and sent to the address indicated on the Fee Schedule. The District may change the payment address from time and time and such change shall not require an amendment to this Resolution.

6. LIEN. The fees imposed hereunder, together with any and all late fees, interest, penalties and costs of collection, shall, until paid, constitute a statutory, perpetual lien on and against the property served, and any such lien may be foreclosed in the manner provided by the laws of the State of Colorado for the foreclosure of mechanic's liens, pursuant to § 32-1-1001(1)(j)(I), C.R.S. Said lien may be foreclosed at such time as the District, in its sole discretion, may determine. The lien shall be perpetual in nature (as defined by the laws of the State of Colorado) on the property and shall run with the land. This Resolution shall be recorded in the offices of the Clerk and Recorder of Saguache County, Colorado.

7. CERTIFICATION OF ACCOUNT TO COUNTY TREASURER. Pursuant to §32-1-1101(1)(e), C.R.S., the Board may elect to certify any delinquent account and late fees satisfying the criteria established therein to the Saguache County Treasurer for collection with the District's *ad valorem* property taxes. The certification process may be in addition to or in lieu of any procedures set forth in this Resolution in the Board's sole discretion. The fees for the certification process shall be in accordance with Colorado law and Saguache County policy.

8. SHUT OFF OR DISCONTINUATION OF SERVICE. Pursuant to § 32-1-1006(1)(d), C.R.S., the Board may elect to shut off or discontinue water and/or sewer service for delinquencies. The shut off or discontinuation of service may be in addition to or in lieu of any procedures set forth in this Resolution in the Board's sole discretion. The fees associated with the shut off or discontinuation of service as set forth in the Schedule of Fees and Charges.

9. SEVERABILITY. If any portion of this Resolution is declared by any court of competent jurisdiction to be void or unenforceable, such decision shall not affect the validity of any remaining portion of this Resolution, which shall remain in full force and effect. In addition, in lieu of such void or unenforceable provision, there shall automatically be added as part of this Resolution a provision similar in terms to such illegal, invalid or unenforceable provision so that the resulting reformed provision is legal, valid and enforceable.

10. THE PROPERTY. This Resolution shall apply to all property within the District's boundaries, including, but not limited to, the property set forth in **Exhibit B**, attached hereto and

incorporated herein by this reference, and any additional property included into the District after the date of this Resolution.

11. EFFECTIVE DATE. This Resolution shall become effective as of the Effective Date set forth on **Exhibit A**.

ADOPTED this 27<sup>th</sup> day of March, 2020.

BACA GRANDE WATER AND SANITATION  
DISTRICT, a quasi-municipal corporation and  
political subdivision of the State of Colorado

\_\_\_\_\_  
Officer of the District

ATTEST:

\_\_\_\_\_

APPROVED AS TO FORM:

LAW OF THE ROCKIES

\_\_\_\_\_  
General Counsel to the District

**EXHIBIT A**

**BACA GRANDE WATER AND SANITATION DISTRICT  
Schedule of Fees and Charges, Effective July 1<sup>st</sup>, 2020, unless otherwise indicated**

WATER & SEWER TAP FEE

This fee is a one-time contribution per lot required of new Customers (or existing Customers having change of use) to be used for capital investment in regional facilities and District operations. This fee shall be due at the time of application for service. The Water & Sewer Tap Fee is subject to change at the discretion of the Board. The EQR determination and tap fee for both the water and sewer tap are based on the size of the water tap as set forth below.

Water Tap Size	EQR	Water Tap Fee	Sewer Tap Fee	Total Fee for both Water and Sewer Tap
¾"	1	\$3,750	\$3,750	\$7,500
1"	2	\$7,500	\$7,500	\$15,000
1 ½"	5	\$18,750	\$18,750	\$37,500
2"	8	\$30,000	\$30,000	\$60,000
3"	16	\$60,000	\$60,000	\$120,000
4"	36	\$135,000	\$135,000	\$270,000
Larger than 4"		As Determined by District		

NOTE: In low pressure areas (having a static pressure less than 40 psi) designed by the District Engineer, the Manager may permit the use of a 1" tap at the same fee as a ¾" tap.

TAPPING FEE

This fee is intended to cover the cost of the District's inspection of the physical tap and of the Customer's Service Line, entering the tap location on the District's as-built drawing set, time and materials associated with the tapping, and other ancillary services needed in connection with the provision of a new tap by the District. The actual cost of a water meter (see below) will be added to the water tapping fees. If repeat inspection services are required due to unacceptable installation or improperly scheduling, then the District will charge additional re-inspection fees as stated herein, per occurrence.

TAPPING FEE SCHEDULE

Water Line/ Meter Size	Fee (includes labor and materials)
¾"	\$1,400 (Residential only)
1"	\$1,800 (Commercial)
1 ½"	\$2,600

*Sixth Amended Resolution of the Board of Directors of the Baca Grande Water and Sanitation District  
Concerning the Imposition of Various Fees, Rates, Penalties and Charges for Water and Sanitary Sewer Services  
and Facilities*

2"	\$3,400
3"	\$4,200

All other sizes billed on a time and materials basis at a cost of \$40 per hour for District labor, with third party labor and materials billed at cost.

MONTHLY WATER SERVICE CHARGES

Tap Size	EQR	Water Base Rate		
		Current	July 1, 2020	January 1, 2021
¾"	1	\$28.00	\$35.00	\$43.75
1"	2	56.00	70.00	87.50
1 ½"	5	140.00	175.00	218.75
2"	8	224.00	280.00	350.00
3"	16	448.00	560.00	700.00
4"	36	1,008.00	1,260.00	1,575.00

Tap Size	EQR	Water Volume Rate		
		Unbilled	Tier 1	Tier 2
¾"	1	4,000	10,000	>10,000
1"	2	8,000	20,000	>20,000
1 ½"	5	20,000	50,000	>50,000
2"	8	32,000	80,000	>80,000
3"	16	64,000	160,000	>160,000
4"	36	144,000	360,000	>360,000
Current		<b>\$0.00/1,000</b>	<b>\$1.50/1,000</b>	<b>\$3.00/1,000</b>
July 1, 2020		<b>\$0.00/1,000</b>	<b>\$1.88/1,000</b>	<b>\$3.75/1,000</b>
January 1, 2021		<b>\$0.00/1,000</b>	<b>\$2.35/1,000</b>	<b>\$4.69/1,000</b>

LATE CHARGE

\$ 15.00

*Sixth Amended Resolution of the Board of Directors of the Baca Grande Water and Sanitation District  
Concerning the Imposition of Various Fees, Rates, Penalties and Charges for Water and Sanitary Sewer Services  
and Facilities*

MONTHLY SEWER SERVICE CHARGES

Tap Size	EQR	Sewer Base Rate		
		Current	2020	2021
¾"	1	\$28.00	\$32.20	\$37.03
1"	2	56.00	64.40	74.06
1 ½"	5	140.00	161.00	185.15
2"	8	224.00	257.60	296.24
3"	16	448.00	515.20	592.48
4"	36	1,008.00	1,159.20	1,333.08

LATE CHARGE

\$ 15.00

RENEWABLE WATER RESOURCE FEE

Meter Size	EQR	GPM	Fee
¾"	1	30	\$14,830
1"	2	50	\$29,660
1.5"	5	100	\$74,150
2"	8	200	\$118,640
3"	16	500	\$237,280
4"	36	1000	\$533,880

Credit against the renewable water resource fee may be granted in consideration of the dedication of tributary water or surface water rights on such terms and conditions acceptable to the District Board. Payment of the renewable water resource fee shall be assessed in accordance with the schedule of rates in effect as of the date of inclusion. Payment of the renewable water resource fee shall be a condition to the issuance of a water tap.

INSPECTION FEES

Service Line / Meter Pit Inspection

\$ 150.00

*Sixth Amended Resolution of the Board of Directors of the Baca Grande Water and Sanitation District  
Concerning the Imposition of Various Fees, Rates, Penalties and Charges for Water and Sanitary Sewer Services  
and Facilities*

Meter Installation	\$	150.00
Other Inspection	\$	150.00
<u>REINSPECTION FEE OR RETURN VISIT FEE</u>	\$	150.00 / hour (2 hour minimum)
<u>METER MAINTENANCE SERVICE FEE</u>	\$	40.00 / hour (1 hour minimum)
<u>METER COST</u>		Current cost to District
<u>WATER TURN ON/TURN OFF</u>	\$	25.00 each on/off (Customer Requested)
<u>SEWER SERVICE</u>	\$	40.00 / hour (1 hour minimum)

**MISCELLANEOUS FEES:**

<u>FIRE HYDRANT METER FEES</u>		
Meter Assembly Rental Deposit	\$	2,000.00
Monthly Fee	\$	10.00 / 1,000 gallons
<u>FORECLOSURE FEE</u>		
Plus all costs of engineering and attorneys' fees	\$	2,000.00 / incident
<u>HEARING FEE - DISPUTES</u>		
	\$	250.00
<u>INCLUSION FEES</u>		
Application Fee	\$	500.00
Pre-Inclusion Fee	\$	1000.00
Initial Deposit	\$	10,000.00 (non-refundable)
Incremental Refundable Deposits of	\$	5,000.00

For actual time and expenses incurred over the \$10,000 initial deposit, including but not limited to costs of publication of notices, management, and engineering and attorneys' fees.

*Sixth Amended Resolution of the Board of Directors of the Baca Grande Water and Sanitation District  
Concerning the Imposition of Various Fees, Rates, Penalties and Charges for Water and Sanitary Sewer Services  
and Facilities*

EXCLUSION FEES

Application Fee	\$ 500.00
Pre-Exclusion Fee	\$ 1000.00
Initial Deposit	\$ 5,000.00 (non-refundable)
Incremental Refundable Deposit of	\$ 1,500.00

For actual time and expenses incurred over the \$5,000 initial deposit, including but not limited to costs of publication of notices, management, and engineering and attorneys' fees.

PERMIT FEES:

Water Stub-In Permit	\$ 100.00
Line Extension Permit	\$ 250.00
Disconnection or Reconnection Permit	\$ 600.00

PLAN REVIEW FEES

Actual Time and expenses incurred by District, and/or \$40/hour for District staff

AVAILABILITY OF SERVICE FEES

Annual Fee per lot within 100 feet of District water and/or sewer lines	\$ 150.00
---	-----------

TRANSFER AND CONSOLIDATION FEE

For transfer or consolidation of ownership of property; per Lot	\$ 250.00
---	-----------

TESTING FEES

Any property owner or customer requesting a contaminant testing shall pay the following applicable fee(s) for each of the requested tests, all of which include applicable pickup and delivery and administrative fees and costs:

Domestic Water Test:	\$ 165.00
Standard Nutrient Test:	\$ 168.00
HPC Test:	\$ 175.00
Total Coliform Test:	\$ 174.00
Additional Tests:	Based on actual costs

PENALTY FEES / FINES:

*Sixth Amended Resolution of the Board of Directors of the Baca Grande Water and Sanitation District Concerning the Imposition of Various Fees, Rates, Penalties and Charges for Water and Sanitary Sewer Services and Facilities*



Excavation During Non-Excavation Period \$ 5,000.00 (bond)

December 1 through March 31 of each year. The District may adjust the no-excavation period based on actual weather conditions. The bond is security for repairs which may be required due to damage to the District's existing facilities.

Installation of any non-metered device \$ 1,000.00 / occurrence

Installation of any device (i.e., "jumper") to allow for circumvention of the District's monitoring or delivery systems shall constitute unauthorized tampering and the use of the District water system shall be subject to a penalty fee. Such fines shall, until paid, constitute a lien upon the subject property, pursuant to Section 32-1-1001, C.R.S.

Failure to Possess Rules and Regulations \$ 1,000.00 / occurrence

Failure to purchase and/or have a copy of the Baca Grande Water and Sanitation District Rules and Regulations, and updates, and approved construction plans on site during construction.

Failure to Possess Permit \$ 500.00 / occurrence

Failure to obtain a permit and/or have permit on-site during construction.

Repair of Broken or Damaged Water Meters, Meter Pits and Curb Stop Boxes 100%<sup>1</sup>

Unauthorized Tampering with District systems or meters: \$ 2,000.00 / incident  
Plus actual cost of damage, expense, and loss.

Unauthorized Connection Fee \$ 2 x the current then-current tap fee

Plus actual cost of damage, expense, and loss, legal fees, and any other costs incurred in the filing of criminal charges.

---

<sup>1</sup> A) If a Customer damages or breaks their water meter, the Customer shall pay 100% of the associated costs for the repair and/or replacement of the water meters, meter pits and curb stop boxes, plus any attorneys' fees incurred to collect associated costs.

B) The District will notify the Customer of the broken or damaged water meters, meter pits and curb stop boxes and the costs of repair and/or replacement. A copy of the invoice for the work will be included with the notice. The Customer will reimburse the costs to the District within thirty (30) days of receipt of the notice.

C) If reimbursement is not received by the District within thirty (30) days of the notice, the costs will be added as a charge to the Customer's water bill for the next billing cycle.

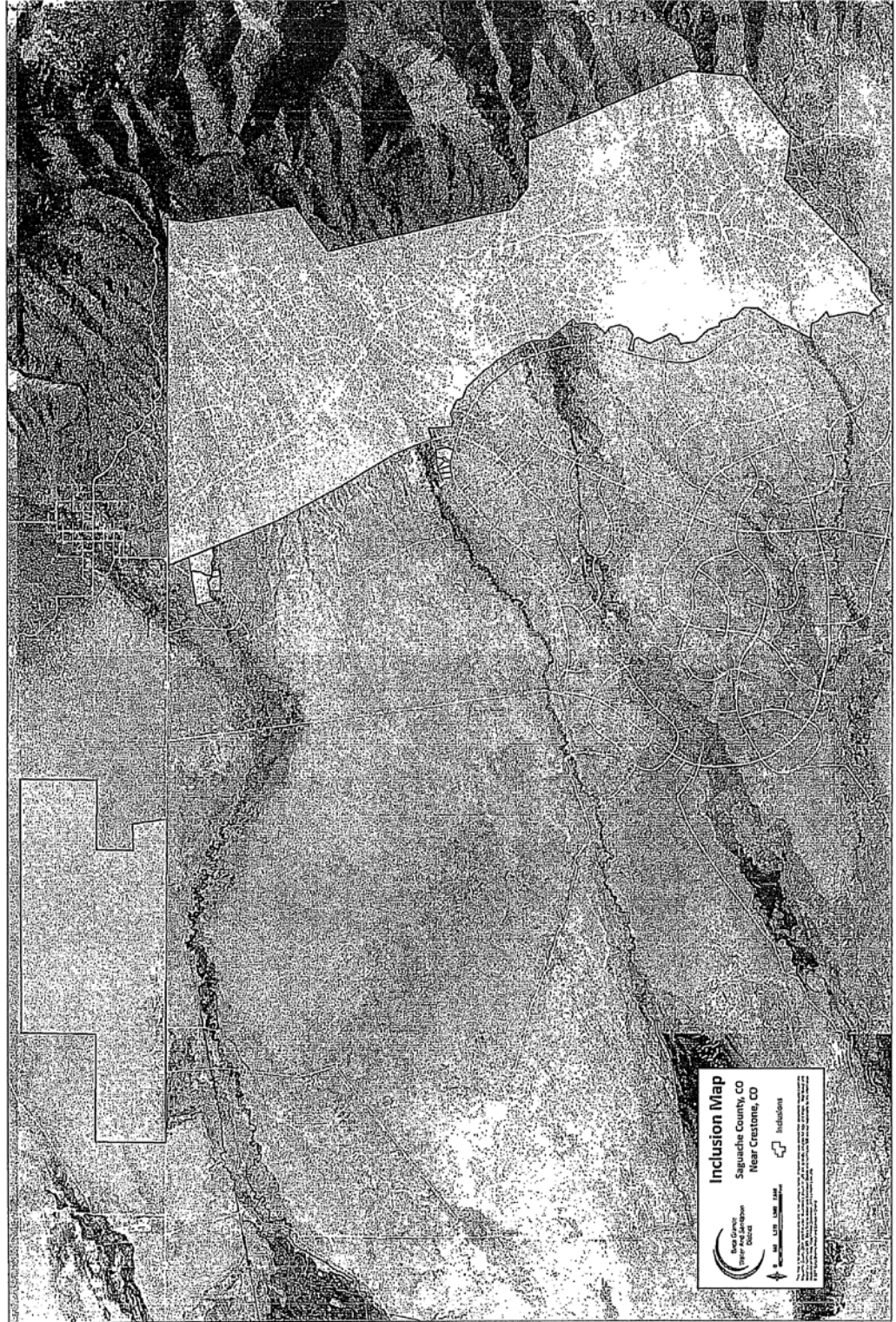
**PAYMENTS:** Payment may be made online through the instructions at [www.bacawater.com/xpressBillPay.html](http://www.bacawater.com/xpressBillPay.html), or made payable to the Baca Grande Water and Sanitation District and sent to the following address for receipt by the Due Date:

Baca Grande Water and Sanitation District  
PO Box 520  
Crestone, Colorado 81131-0520

**EXHIBIT B**

**BACA GRANDE WATER AND SANITATION DISTRICT**

**District Boundaries**



*Sixth Amended Resolution of the Board of Directors of the Baca Grande Water and Sanitation District  
Concerning the Imposition of Various Fees, Rates, Penalties and Charges for Water and Sanitary Sewer Services  
and Facilities*

The Baca Grande as shown on map recorded on May 12, 1971 as document number 199438 in the office of the Recorder of the County of Saguache, Colorado, which area includes Chalet lots 1 through 2420 inclusive, Mobile Home Estates lots 1 through 2620 inclusive, and Tracts A and B and Tracts G through R-R inclusive, all as shown on the aforementioned map.

EXCEPTING therefrom that portion thereof lying westerly and southwesterly of the following described line Beginning at Boundary Point 31 as shown on sheet T 2 of 2 of said map. Thence, Southeasterly in a direct line to the most northerly corner of Grant Number 1511 as shown on Sheet GR 22 or 22 of said map, Thence, Southerly along the generally easterly boundary of the Grants Unit One as shown on said Map to the most easterly corner of Grant number 927 as shown on Sheet GR 21 or 22 of said Map. Thence, Southerly in a direct line to boundary point 19 as shown on above mentioned Sheet T 2 of 2.

TOGETHER WITH

A part of THE LUIS MARIA BACA GRANT #4 as described in a patent dated February 20, 1900 from the United States to the heirs of Luis Maria Baca and recorded in Book 86 at Page 20 in the office of the Clerk and Recorder of Saguache County, Colorado, more particularly described as follows:

Commencing at Boundary Point #10 of THE BACA GRANDE CHALETS UNIT ONE as shown on Sheet T2 of 2 of the boundary map of said subdivision; Thence S22°03'07"E along the west boundary of said CHALETS UNIT ONE a distance of 793.19' to the TRUE POINT OF BEGINNING; Thence S22°03'07"E along said west boundary a distance of 926.67'; Thence S77°28'15"W a distance of 334.79'; Thence N66°30'50"W a distance of 242.19'; Thence S86°12'25"W a distance of 300.53'; Thence N80°20'45"W a distance of 174.19'; Thence N24°57'58"E a distance of 331.25'; Thence N3°23'11"E a distance of 449.86'; Thence N81°25'48"E a distance of 511.96' to the TRUE POINT OF BEGINNING, containing 14.124 acres more or less.

TOGETHER WITH

*Sixth Amended Resolution of the Board of Directors of the Baca Grande Water and Sanitation District Concerning the Imposition of Various Fees, Rates, Penalties and Charges for Water and Sanitary Sewer Services and Facilities*

A parcel of land, being a part of the LUIS MARIA BACA GRANT NO. 4 as described on patent, dated February 20, 1900, from the United States to the heirs of Luis Maria Baca, recorded in Book 86 at Page 20 of the records of the Clerk and Recorder, County of Saguache, State of Colorado, more particularly described as follows:

Commencing at Boundary Point 10 of THE BACA GRANDE CHALETS UNIT ONE as shown on sheet T2 of 2; thence S13°30'08"W a distance of 837.74 feet to the TRUE POINT OF BEGINNING on the west boundary of the District; then along said west boundary for the following four (4) courses: thence S3°30'17"W a distance of 301.20 feet; thence S26°35'45"W a distance of 291.65 feet; thence S4°22'02"W a distance of 188.05 feet; thence N80°20'45"W a distance of 91.92 feet; thence N57°09'40"W a distance of 191.49 feet; thence S78°40'20"W a distance of 325.43 feet; thence S86°20'50"W a distance of 177.97 feet; thence S50°25'50"W a distance of 241.29 feet; thence N13°30'00"W a distance of 709.78 feet; thence S89°59'15"E a distance of 144.88 feet; thence N81°25'48"E a distance of 1130.95 feet to the TRUE POINT OF BEGINNING, containing 692,455 square feet or 15.897 acres, more or less.

All bearings are based on a bearing of S22°03'07"E between boundary points 10 and 33 of said CHALETS UNIT ONE.

Total Perimeter = 3794.62 feet  
Contiguous Perimeter = 872.83 feet

TOGETHER WITH

Baca Grande Chalets, unit number two, as recorded with the County Clerk and Recorder of Saguache County, Colorado, as a final plat, as document number 200839, on February 14, 1972.

TOGETHER WITH

A part of THE LUIS MARIA BACA GRANT #4 as described in a patent dated February 20, 1900 from the United States to the heirs of Luis Maria Baca and recorded in Book 86 at Page 20 in the office of the Clerk and Recorder of Saguache County, Colorado, more particularly described as follows:

Commencing at Boundary Point #10 of THE BACA GRANDE CHALETS UNIT ONE as shown on sheet T2 of 2 of the boundary map of said subdivision; Thence S16°11'31"W a distance of 1612.06' to the TRUE POINT OF BEGINNING; Thence S80°20'45"E a distance of 249.97'; Thence S12°51'15"E a distance of 244.31'; Thence S77°08'45"W a distance of 230.93'; Thence N12°51'15"W a distance of 340.00' to the TRUE POINT OF BEGINNING, containing 1.549 acres more or less.

All bearings are based on the bearings shown on the recorded plat of THE BACA GRANDE CHALETS UNIT ONE SUBDIVISION.

*Sixth Amended Resolution of the Board of Directors of the Baca Grande Water and Sanitation District Concerning the Imposition of Various Fees, Rates, Penalties and Charges for Water and Sanitary Sewer Services and Facilities*

TOGETHER WITH

A part of THE LUIS MARIA BACA GRANT #4 as described in a patent dated February 20, 1900 from the United States to the heirs of Luis Maria Baca and recorded in Book 96 at Page 20 in the office of the Clerk and Recorder of Saguache County, Colorado, more particularly described as follows:

Commencing at Boundary Point #10 of THE BACA GRANDE CHALETS UNIT ONE as shown on Sheet T2 of 2 of the boundary map of said subdivision; Thence S22°03'07"E along the west boundary of said CHALETS UNIT ONE a distance of 793.19' to the TRUE POINT OF BEGINNING; Thence S22°03'07"E along said west boundary a distance of 926.67'; Thence S77°28'15"W a distance of 334.79'; Thence N66°30'50"W a distance of 242.19'; Thence S86°12'25"W a distance of 300.53'; Thence N80°20'45"W a distance of 174.19'; Thence N24°57'58"E a distance of 331.25'; Thence N3°23'11"E a distance of 449.86'; Thence N81°25'48"E a distance of 511.96' to the TRUE POINT OF BEGINNING, containing 14.124 acres more or less.

# Baca Grande

## Water and Sanitation District

---

### Water and Wastewater Utility Financial Plan and Rate Study

February 21, 2020

Presented by Andrew Rheem, Senior Manager





# Agenda

- Project overview
- Financial plan overview and projection assumptions
  - › Enterprise Fund status and capital funding
- Water Fund Financial Plan and Results
- Wastewater Fund Financial Plan and Results
- Scenario Summary Results
- Combined Typical Residential Monthly Bills
- Recommendations
- Discussion and next steps





# RAFTELIS

- Who we are:
  - › Leading wet utility consultants in the country and in Colorado
  - › Provide a range of financial, rate and tap fee services to the water, wastewater and stormwater utility industry
  - › Recent studies completed for Pueblo, Cañon City, Idaho Springs, Platteville, Mead, Fort Morgan, Steamboat Springs, Mt. Werner Water & Sanitation, Mt. Crested Butte Water & Sanitation, Woodmoor Water & Sanitation District
- Registered municipal advisors





MSRB REGISTERED  
**MUNICIPAL  
ADVISOR**

**Raftelis is a Registered Municipal Advisor within the meaning as defined in Section 15B (e) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (Municipal Advisor Rule).**

However, except in circumstances where Raftelis expressly agrees otherwise in writing, Raftelis is not acting as a Municipal Advisor, and the opinions or views contained herein are not intended to be, and do not constitute “advice” within the meaning of the Municipal Advisor Rule.

# Ground Rules for Today

1. Stay mentally present
2. Listen with an open mind
3. Stay focused on this topic
4. Attack the problem, not the person
5. One person talking at a time



# Rate Setting Process



**STEP 5: ASSESS EFFECTIVENESS IN ADDRESSING PRICING OBJECTIVES**

**STEP 4: DESIGN RATE STRUCTURE**

**STEP 3: ALLOCATE COSTS**

**STEP 2: IDENTIFY REVENUE REQUIREMENTS & DEMAND PROJECTIONS**

**STEP 1: IDENTIFY FINANCIAL & PRICING OBJECTIVES**

# Financial Planning Overview

- Separate water and wastewater funds for rate setting
  - › 50%/ 50% shared expenses
  - › 100% for others (e.g., treatment plant, raw water)
  - › Debt service by debt issue
- Project the 2019 – 2028 revenues and expenses
  - › Operations and maintenance (O&M) expenses
  - › Capital expenses and external capital funding
    - Existing annual debt service
    - Resulting annual debt service
  - › Availability of service fees and miscellaneous non-rate revenues
  - › Property and specific ownership taxes and transfers from the General Fund



# Prudent Utility Financial Planning

- Revenue sufficient to maintain the financial stability of the water and wastewater enterprises and:
  - › Fund annual O&M expenses, debt service payments and capital improvements and other requirements
  - › Exceed annual debt service coverage ratio targets with adequate revenues
    - Target is 125% of annual debt service for total existing and proposed loans
  - › Exceed annual operating and capital reserve targets with adequate reserves

# DSC Ratio

- DSC ratio is a legal requirement of most loans:

$$\frac{(\text{Annual Revenue}^* - \text{Annual O\&M Costs})}{\text{Annual Debt Service}^*}$$

- Existing tax-backed debt does not require a DSC ratio and not part of this calculation
- State Revolving Fund (SRF) loans require a minimum of 110%
- U.S. Department of Agriculture Rural Development (USDA-RD) loans do not require DSC, so 100% is the minimum
- **Rate setting recommendation target DSC ratio of 125% for new debt**

\* Excludes Property taxes revenue transfers and amounts for debt service as well as existing General Obligation debt service.



# Cash Reserves Targets

- Working capital reserve
  - › Water: 90-days or 25% of annual O&M
  - › Wastewater: 60-days or 17% of annual O&M
- No capital reserve today
- Recommend a capital reserve be phased-in
  - › 2021: \$50,000 for water and \$50,000 for wastewater
  - › 2028: \$250,000 for water and \$250,000 for wastewater
- USDA-RD requires a “short lived asset reserve” that varies for each entity
  - › The capital reserve could meet this purpose
- Debt service reserves equal to one annual debt service payment may also be required
  - › USDA-RD: reserve may be funded over 10 years
  - › SRF: requires it to be funded fully right away



# Common Utility Cash Reserves

- Operating Reserve
  - › 15% to 25% of O&M
- Debt service reserve
  - › Requirement of debt issue
- Rate stabilization fund
  - › Defined in bond resolution
- Capital reserve
  - › Fixed Amount or
  - › Tied to Capital projects
- Revenue reserve
  - › Percent of revenues
- Emergency reserve
  - › Fixed Amount or
  - › Tied to specific asset

**May be represented as days cash on hand**

# Forecast Assumptions Revenues

- Growth Rate of 2% annually
- Property and specific ownership taxes 2% annually
- Availability of service fees 2% decrease annually
  - › As properties develop, they stop paying this
- Misc. revenues of 1% annually
- Interest income of 1% annually
- Town of Crestone wastewater rate increase
  - › 2% in 2020 and 2021
  - › Increases like other customers starting in 2022



# Forecast Assumptions Expenses

- Purchased water decreasing effective June 2020
- Inflation factors O&M and capital of 3%
- General Fund transfer decreasing
  - › Totaled \$567,000 in 2019
  - › Totals \$465,514 in 2020
  - › Totals \$200,000 in 2021 and beyond
- Property and ownership taxes and ASF transferred for voter approved general obligation debt service
- 30% of water revenues in 2021 from local taxes
  - › Down from 62% in 2020
- 48% of wastewater revenues in 2021 from local taxes
  - › Down from 80% in 2020

# Enterprise Status

- District Enterprise Fund do not currently meet Tax Payers Bill of Rights (TABOR) limitation
  - › Limits 10% of revenues from **Colorado and/or local taxes**
  - › 2020 budget reduced to \$200,000 for capital
- Voter approval required to issue future debt without Enterprise Fund
- Enterprise based on previous year
  - › Without transfers, rates are higher
  - › SRF grants largely from Colorado taxes
- **Revenue-backed debt approved by voters is likely the approach which mitigates future rate increases**

# Capital Funding Considerations

- Low-interest rate loans through the USDA-RD and/or the Colorado SRF to minimize borrowing costs of future debt
- SRF loans are the “default” external debt
  - › 3% interest rate
  - › 30 year repayment term
- Grants to maximize external funding of the CIP
  - › Colorado Water Conservation Board for meter replacement and/or water loss reduction
  - › Department of Local Affairs (DOLA) grants and/or USDA-RD for system improvements
  - › Others?



# Current Rates

Tap or Meter Size	Sewer Base Rate	Water Base Rate	Tier 2	Tier 2	Tier 2
Volume Rate	N/A	N/A	\$0.00 / kgal	\$1.50 / kgal	\$3.00 / kgal
¾-inch	\$28	\$28	<4,000	>4,000	>10,000
1-inch	\$56	\$56	<8,000	>8,000	>20,000
1 ½-inch	\$140	\$140	<20,000	>20,000	>50,000
2-inch	\$224	\$224	<32,000	>32,000	>80,000
3-inch	\$448	\$448	<64,000	>64,000	>160,000
4-inch	\$1008	\$1008	<144,000	>144,000	>360,000

- Availability of Service Annual Fee = \$150
  - › Charged on unimproved property if the property has infrastructure for water and sewer service within 100 feet of the property line
  - › Used to repay debt incurred for capital infrastructure



# Water Fund Financial Plan



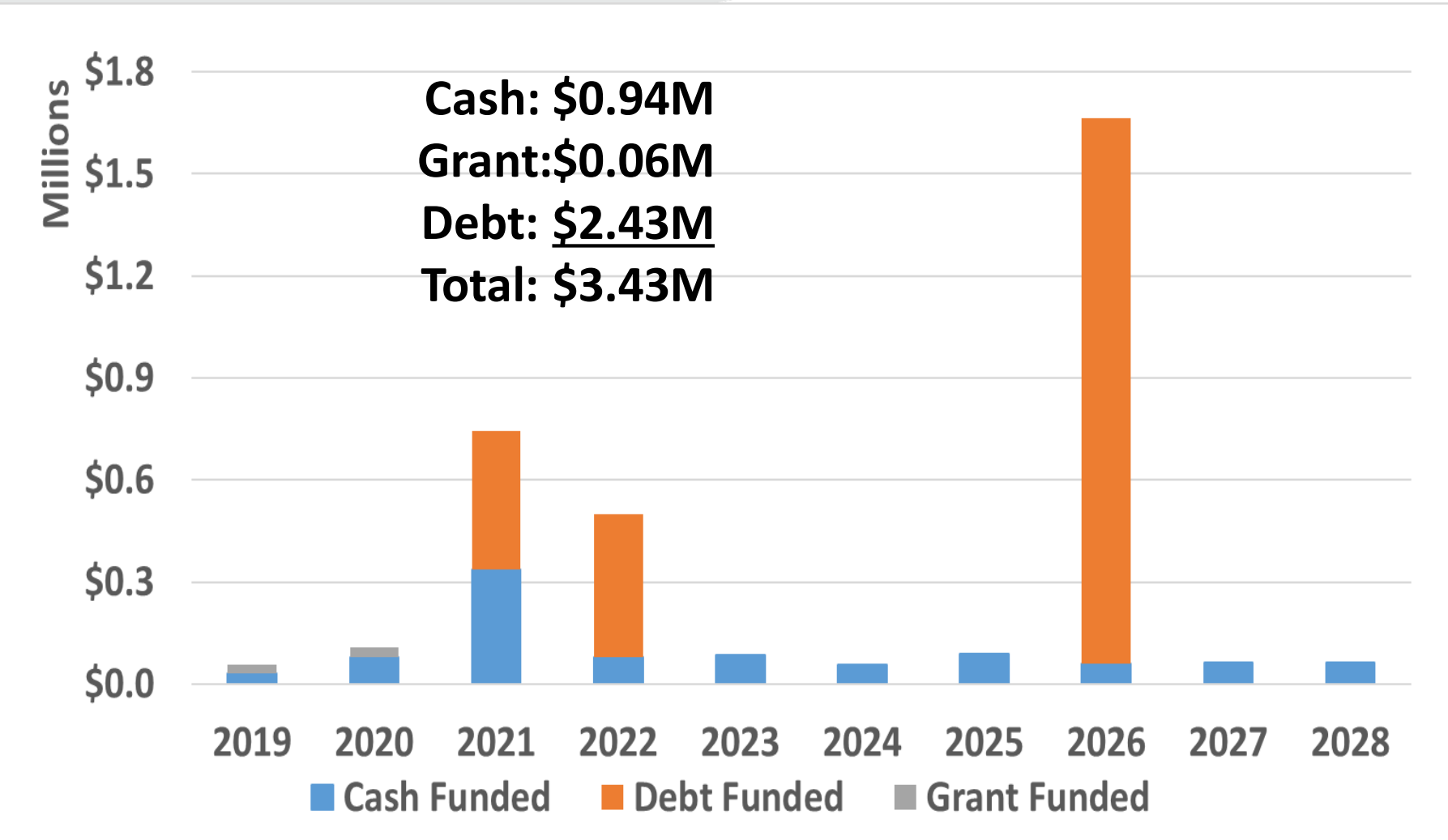


# Water CIP – Major Projects 2020- 2028

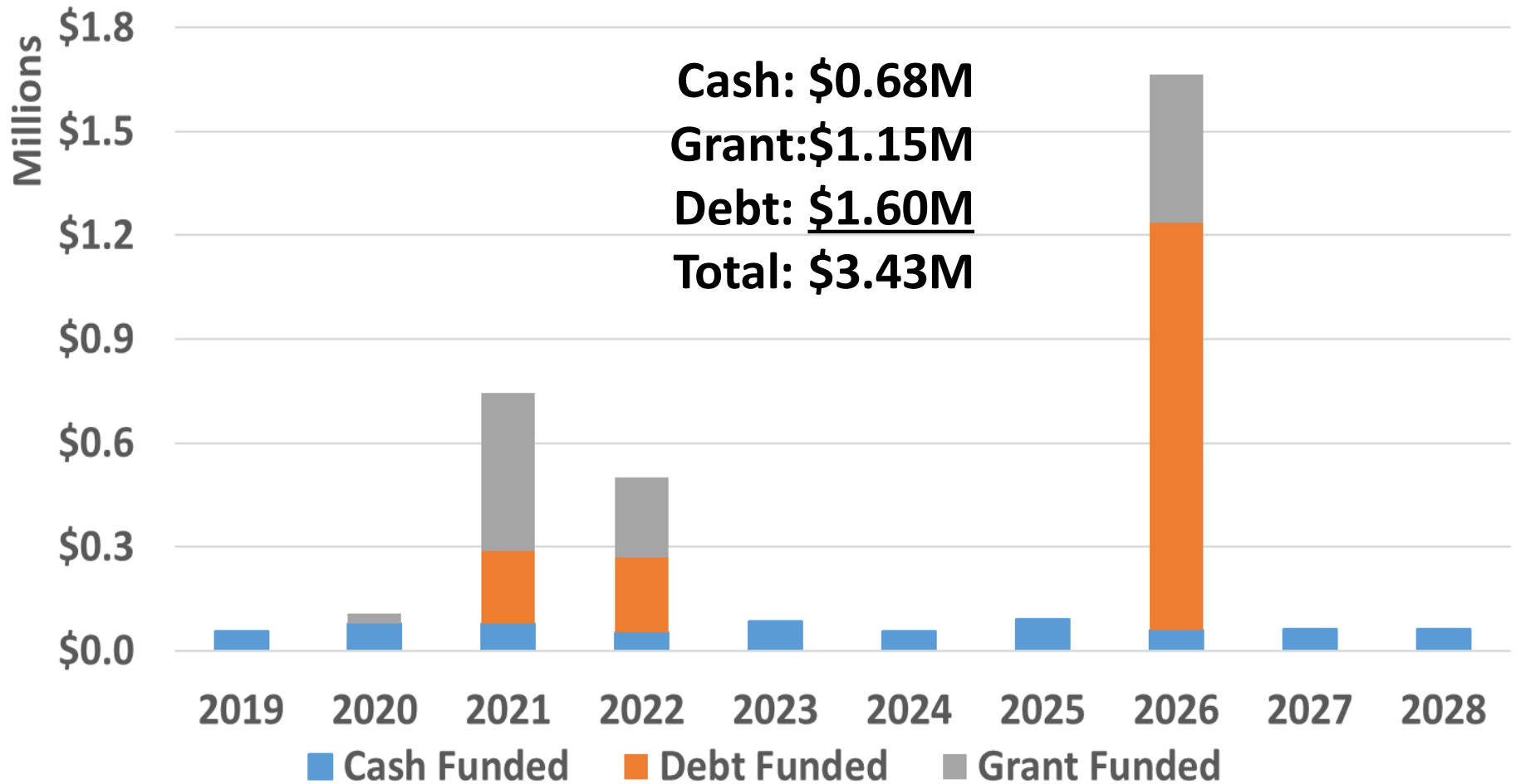
- Water conservations / meter replacement: **\$0.3M**
- WTF improvements: **\$0.4M**
- Booster station improvements: **\$0.4M**
- Distribution system improvements: **\$1.15M**



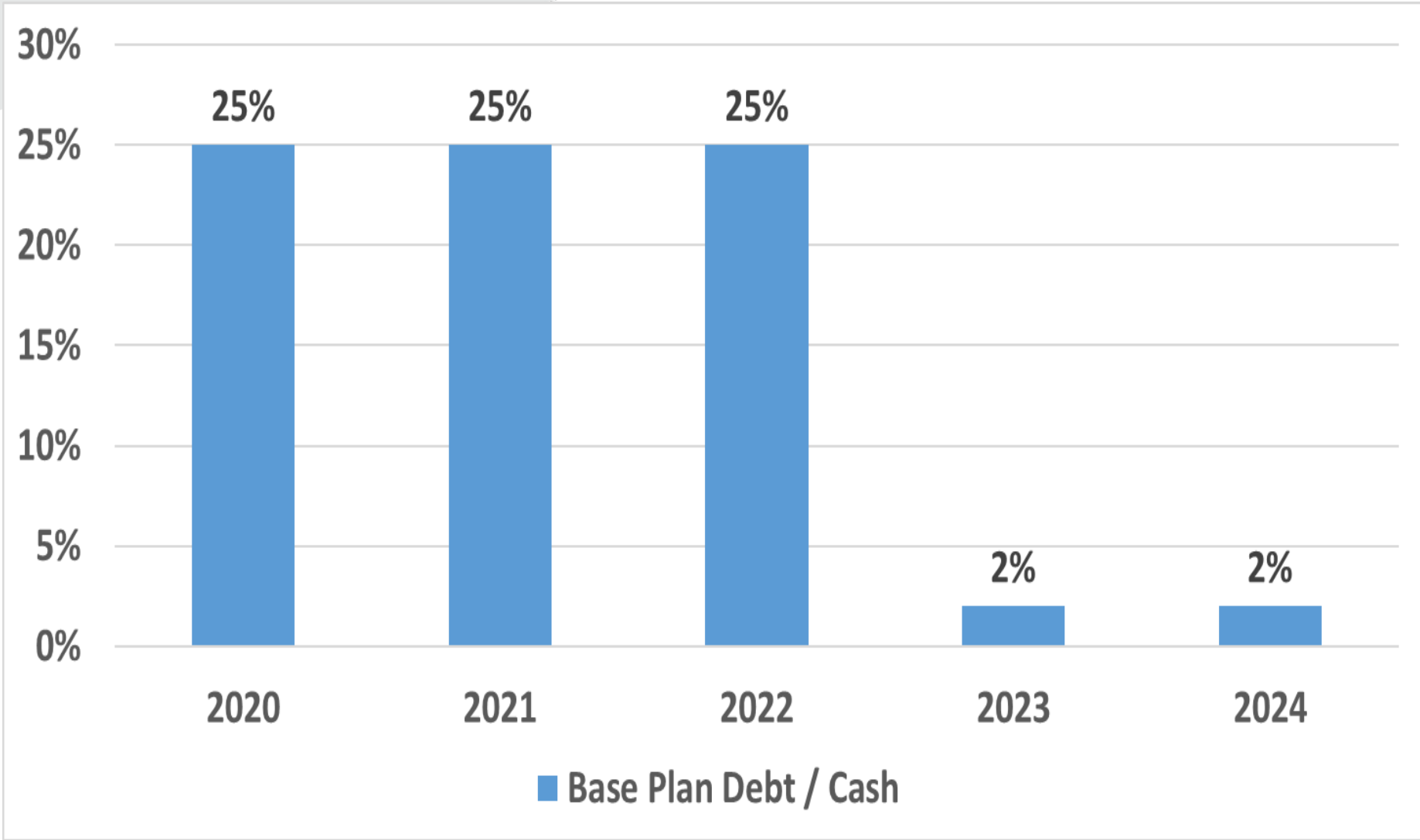
# Water Fund Capital Projects 2019 through 2028 (Inflated \$'S) Base Case No Grants



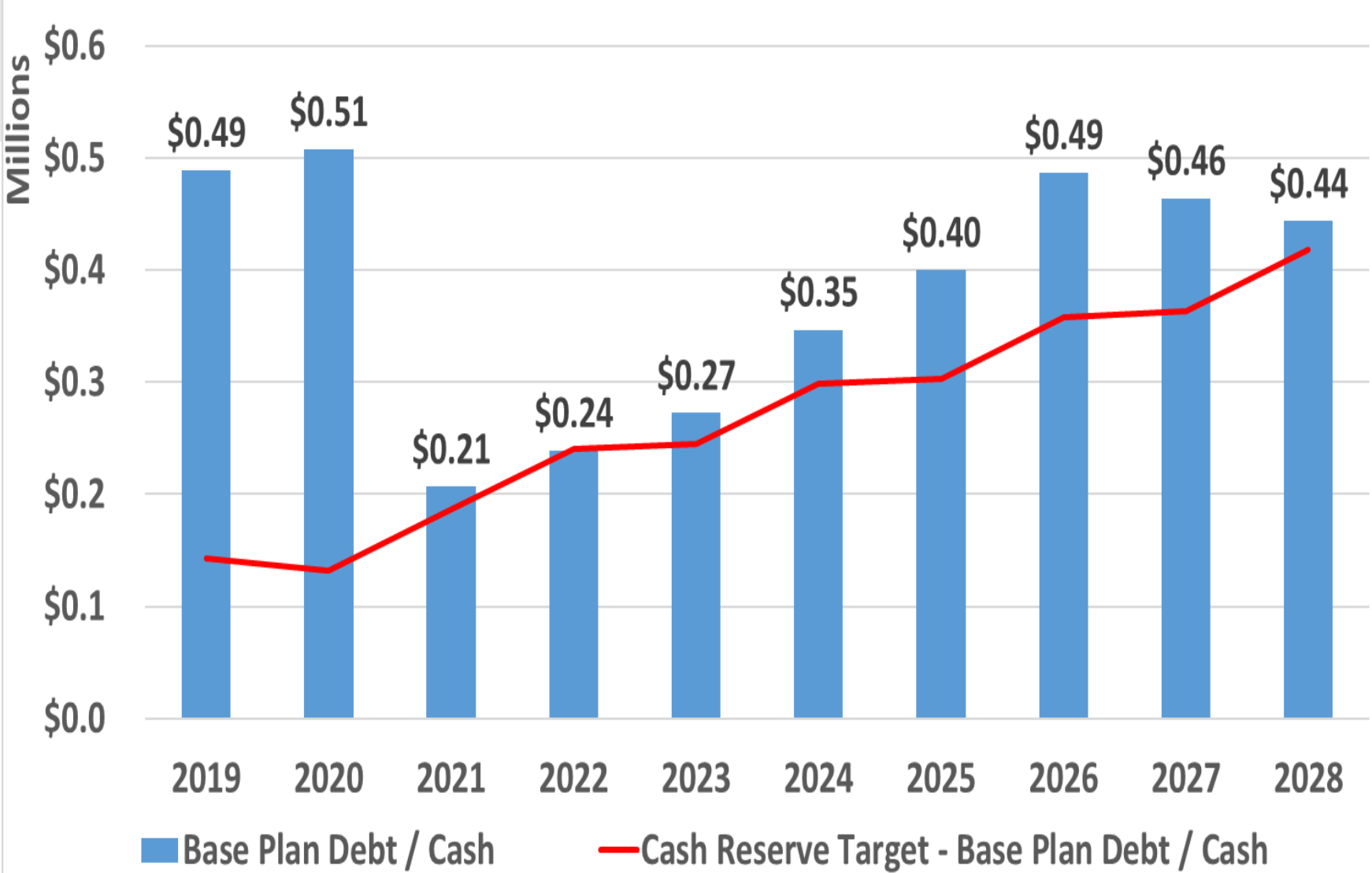
# Water Fund Capital Projects 2019 through 2028 (Inflated \$'S) Base With Grants Scenario



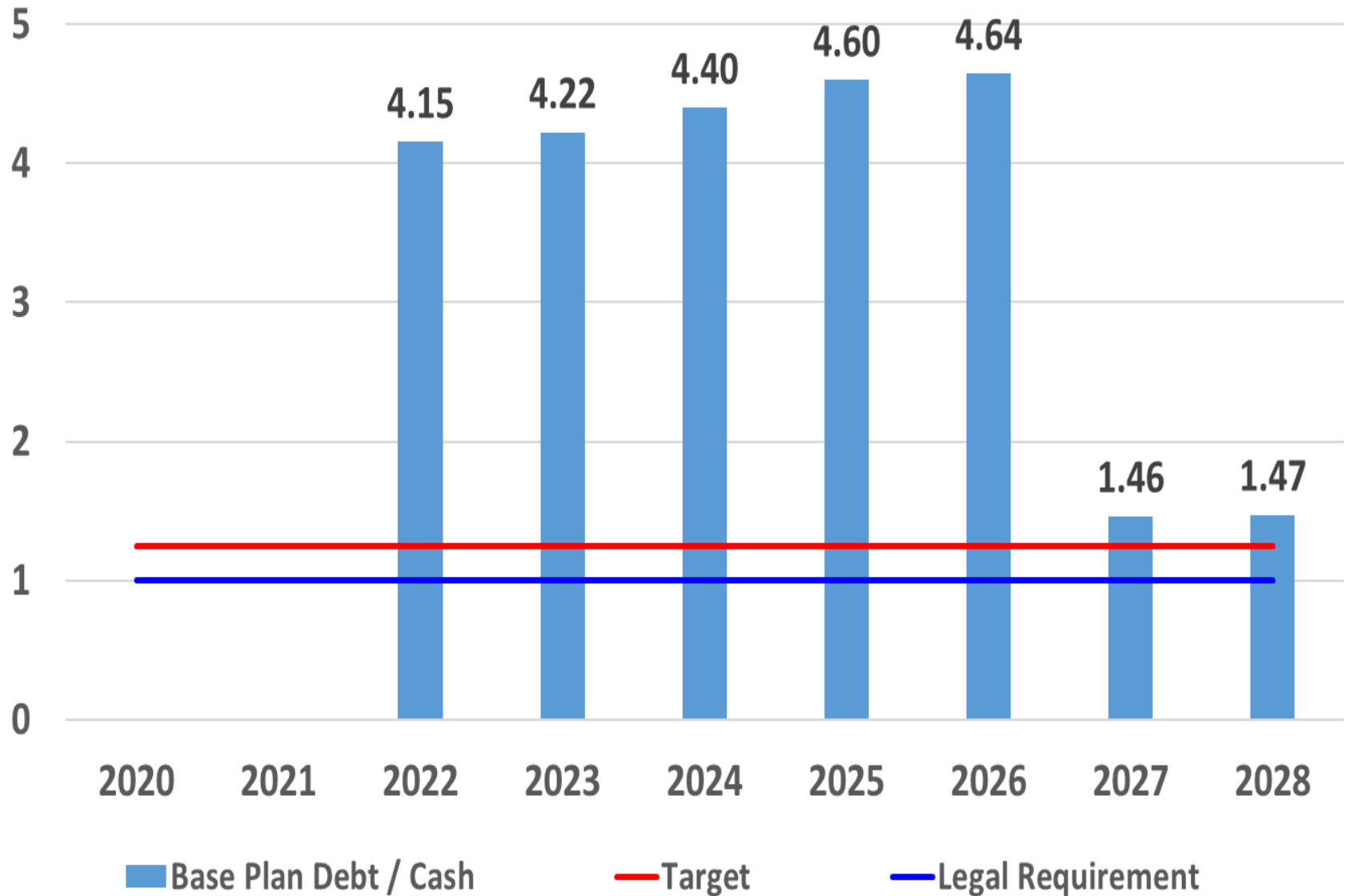
# Projected Rate Increases: Base Case Scenario



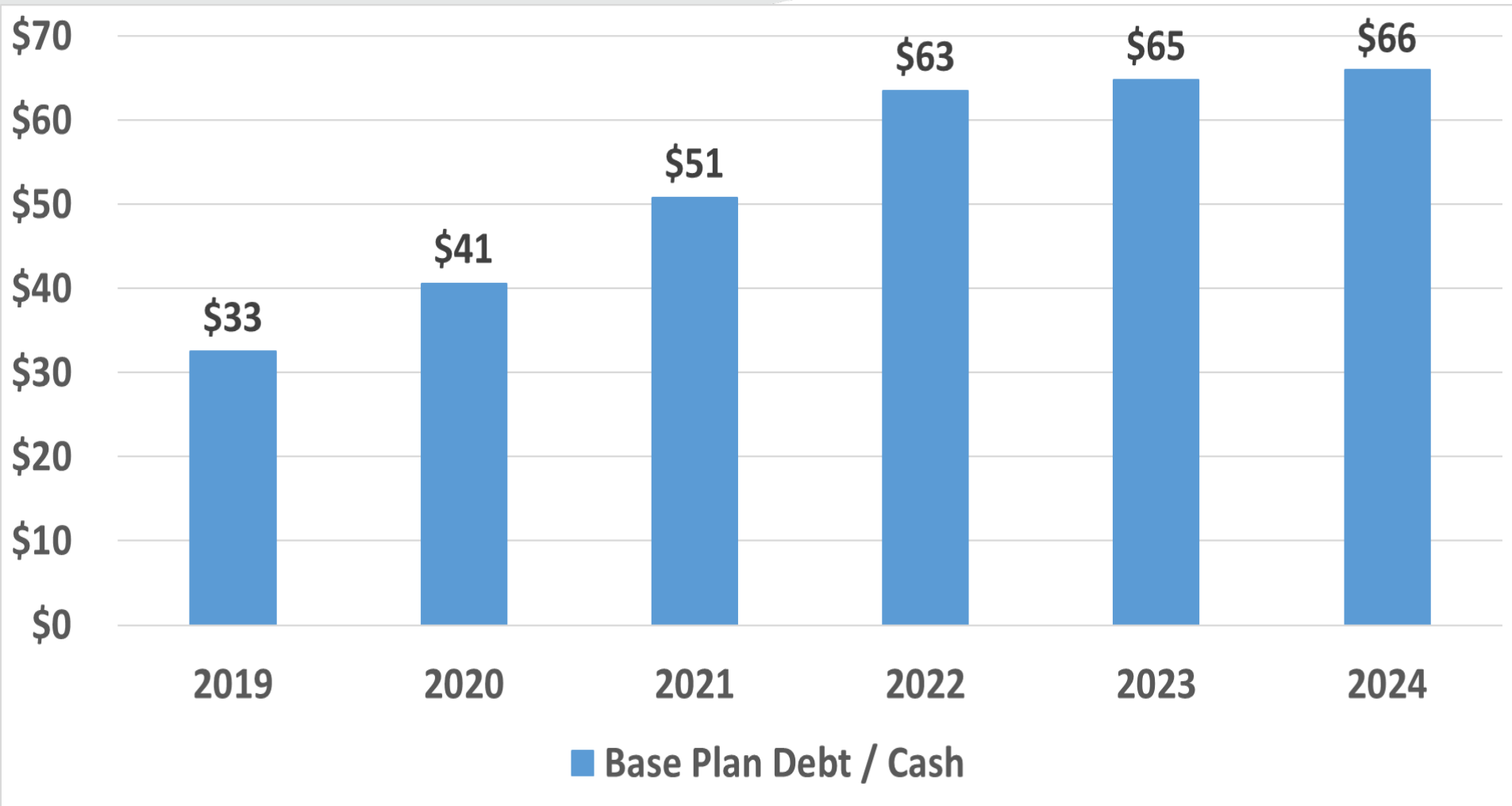
# End-of-Year Cash Balances: Base Case Scenario



# DSC: Base Case Scenario



# Typical Monthly Residential Water Bill (1) Base Case Scenario



(1) 7,000 gallons water use per month.

# Wastewater Fund Financial Plan



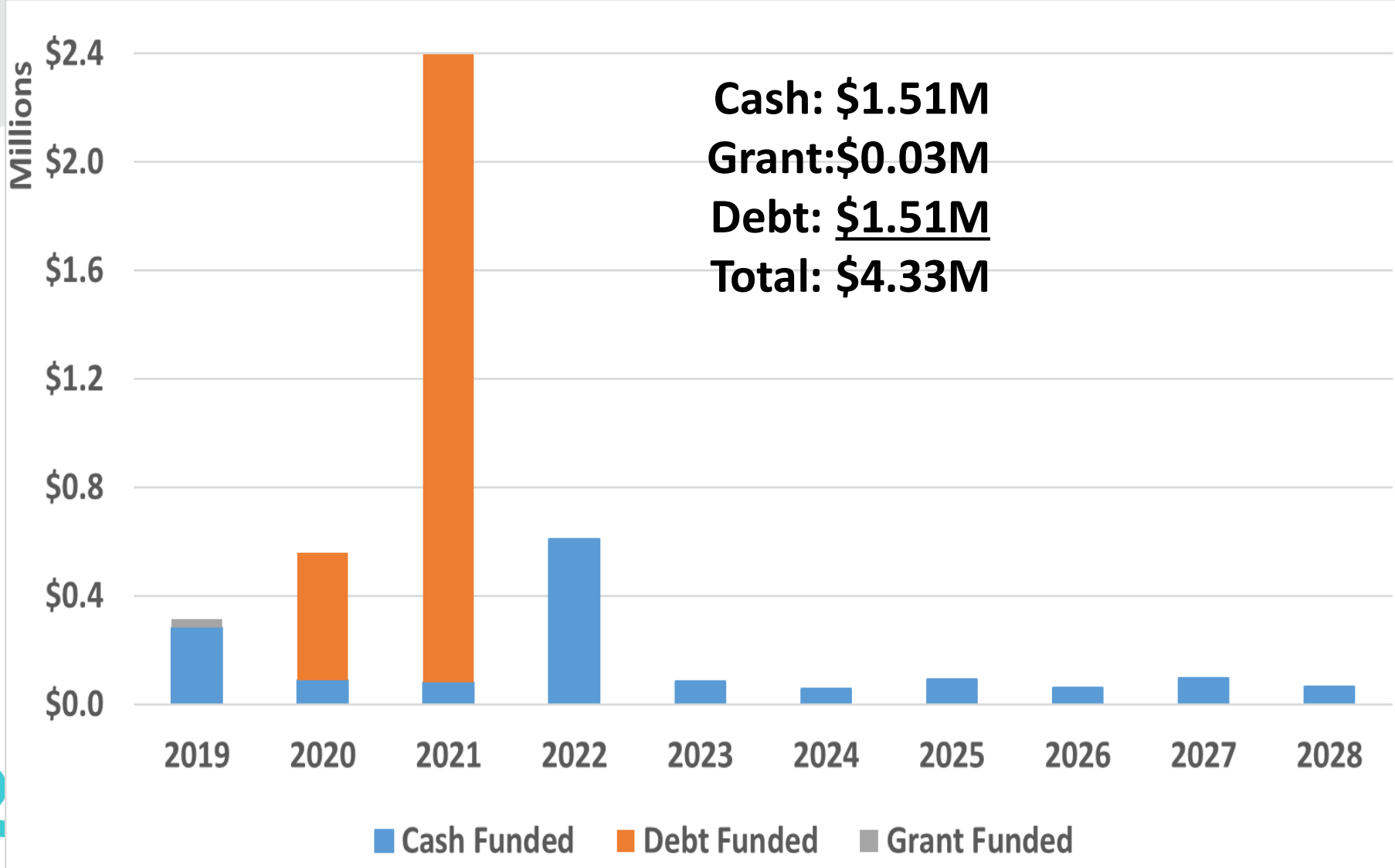


# Wastewater CIP – Major Projects 2020- 2028

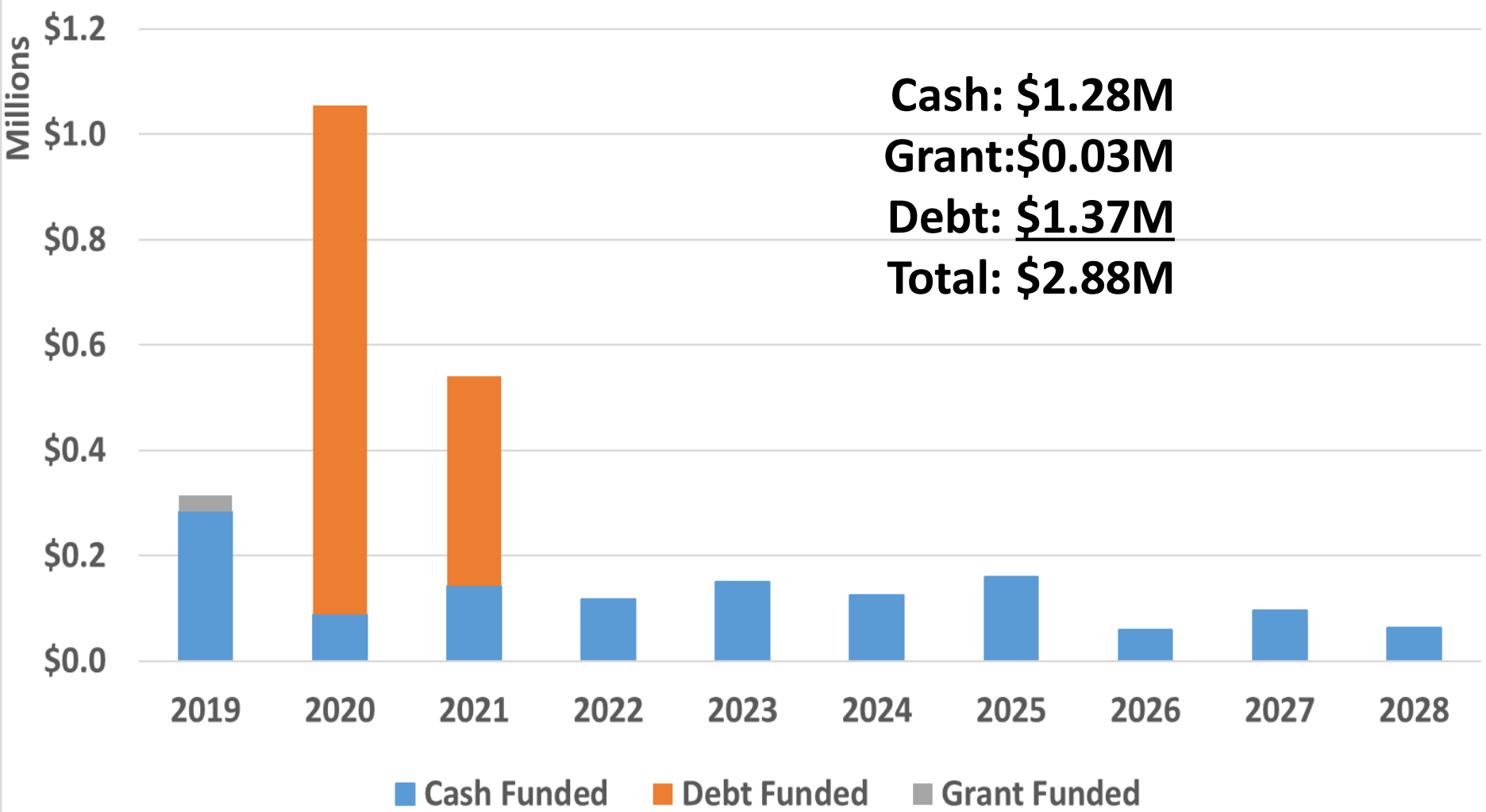
- WWTF rerating or expansion **\$3.2M**  
**OR**
- WWTF rehabilitation projects **\$1.6M**
  - › Piping from EQ Basin to SBR: **\$46,350**
  - › New aeration system: **\$573,710**
  - › Automated WAS pumping: **\$347,110**
  - › Electrical/ I&C upgrades: **\$330,292**
  - › Replacing/ improving the decanting process: **\$268,408**



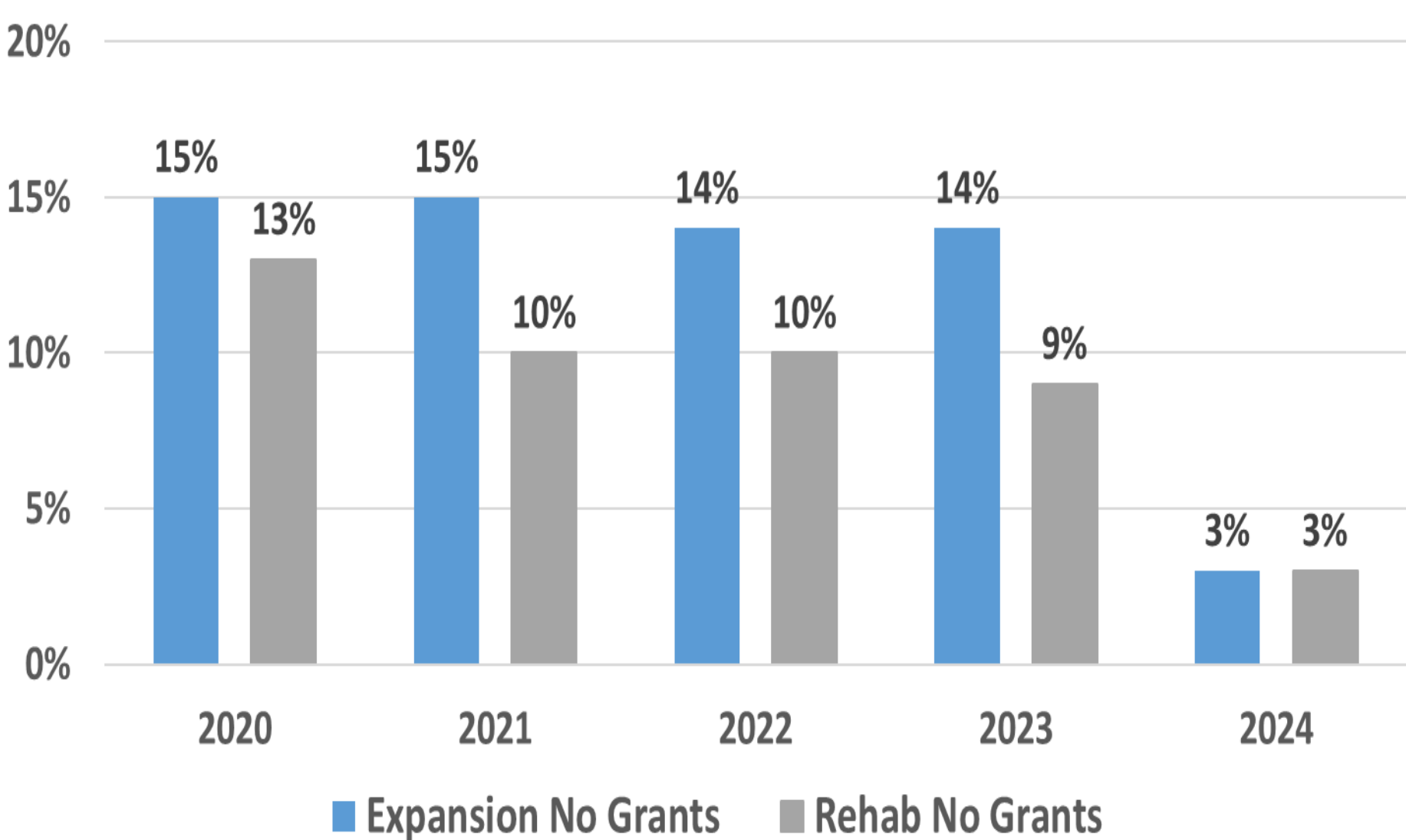
# WW Fund Capital Projects 2019 through 2028 (Inflated \$'S) Expansion no grants



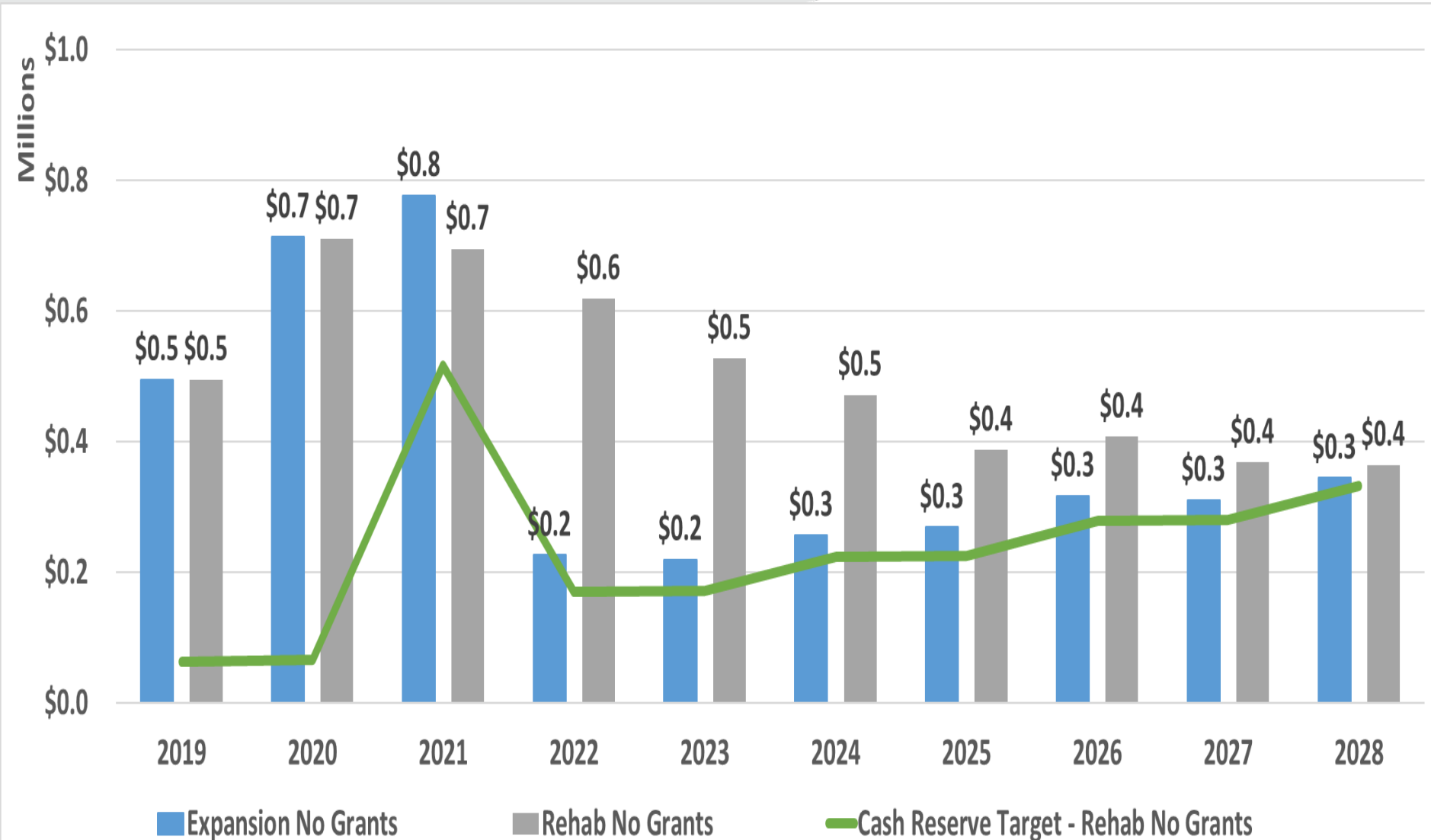
# WW Fund Capital Projects 2019 through 2028 (Inflated \$'S) Rehab no grants



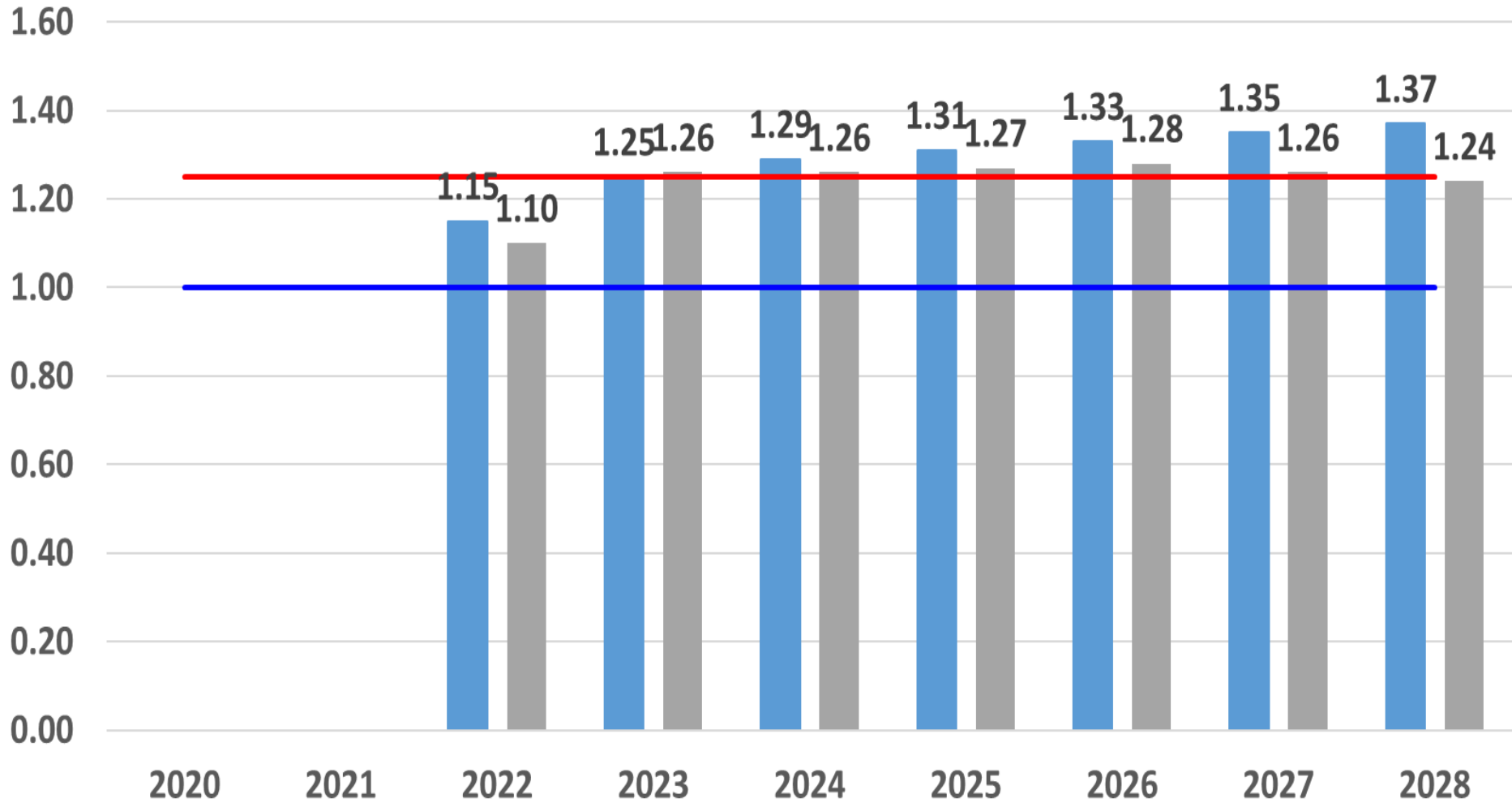
# Projected Rate Increases: Base Case Scenarios



# End-of-Year Cash Balances: Base Case Scenarios

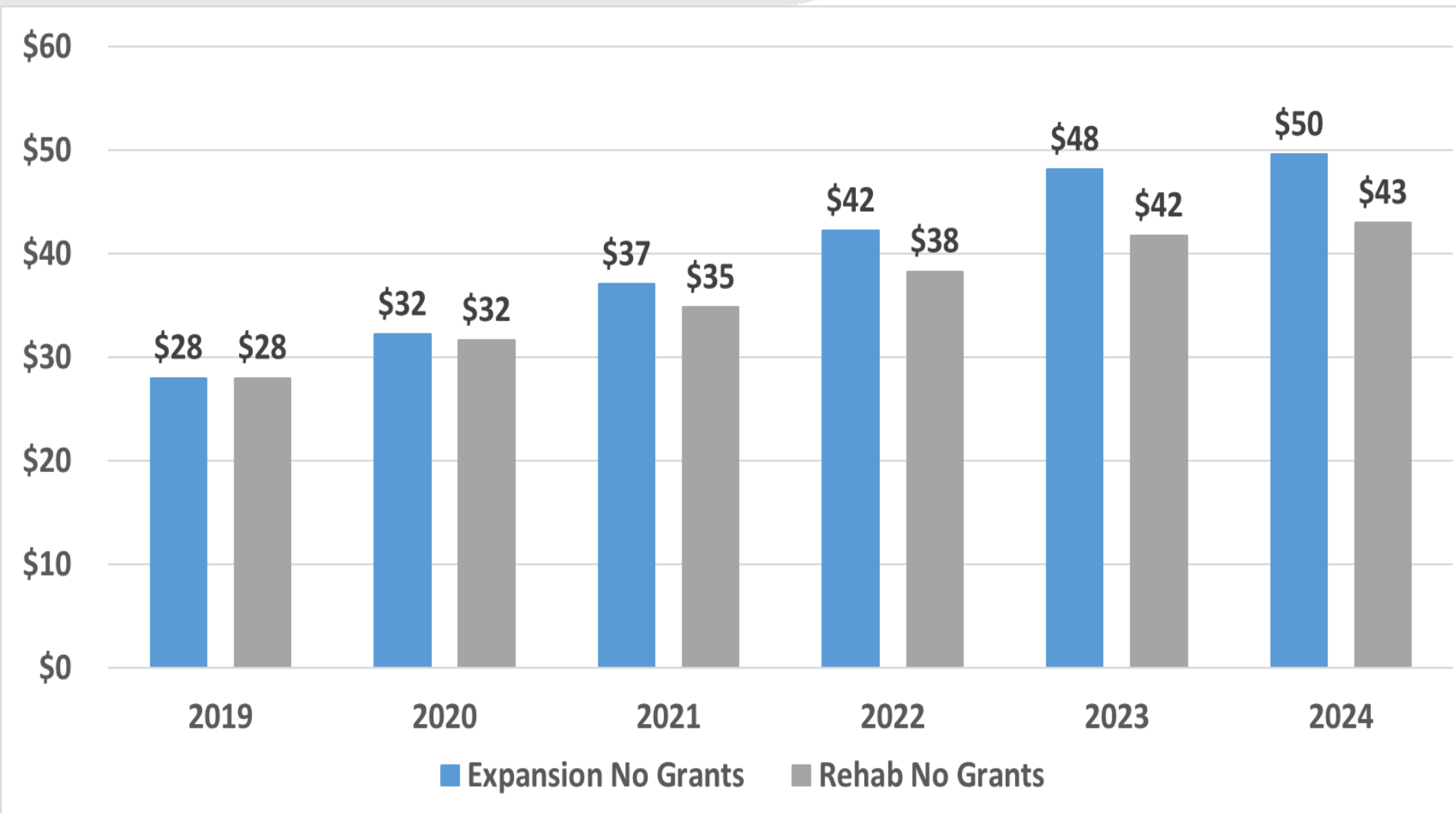


# DSC: Base Case Scenarios



Expansion No Grants    Rehab No Grants    Target    Legal Requirement

# Projected Monthly WW Residential Bills: Base Case Scenarios



(1) Monthly base rate, no volume charge.

# Capital Funding Scenarios



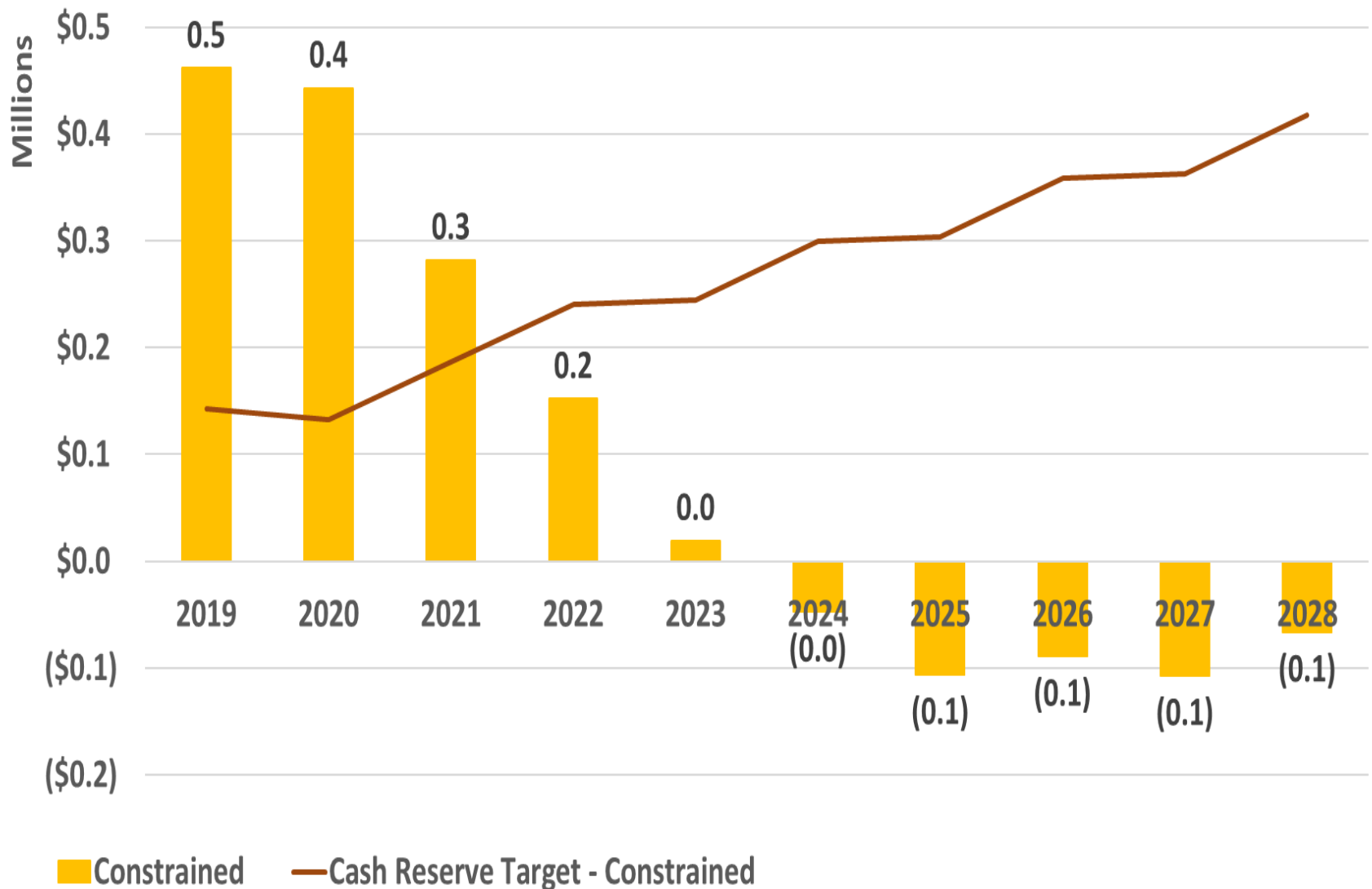


# Water Financial Planning Scenarios

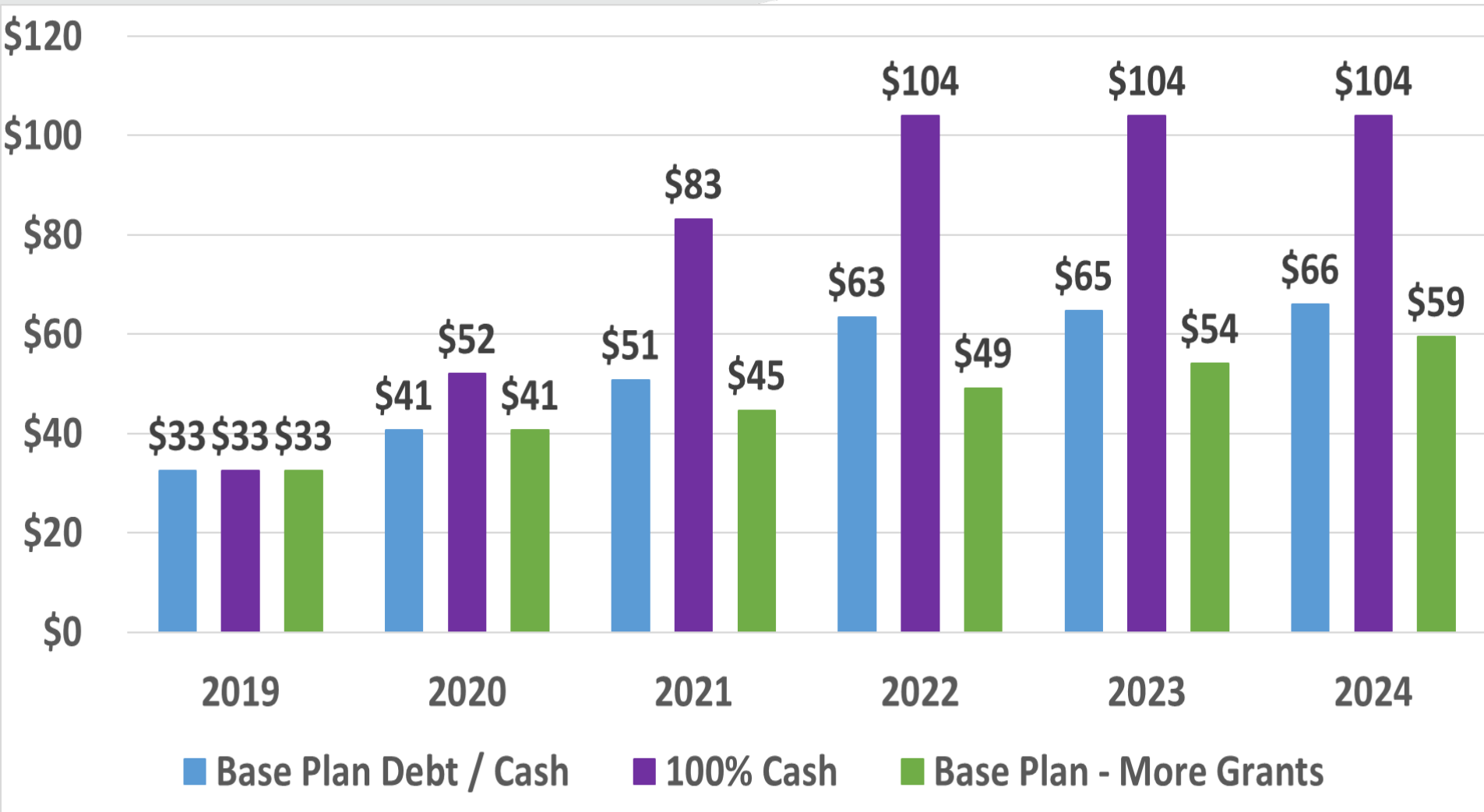
1. Base case CIP with future debt and no future grants.
2. Base case CIP with future debt and future grants.
3. Constrained CIP under constrained rate revenue adjustments with future debt and no future grants.
4. Base case CIP with no future debt or future grants.



# End-of-Year Cash Balances: Constrained

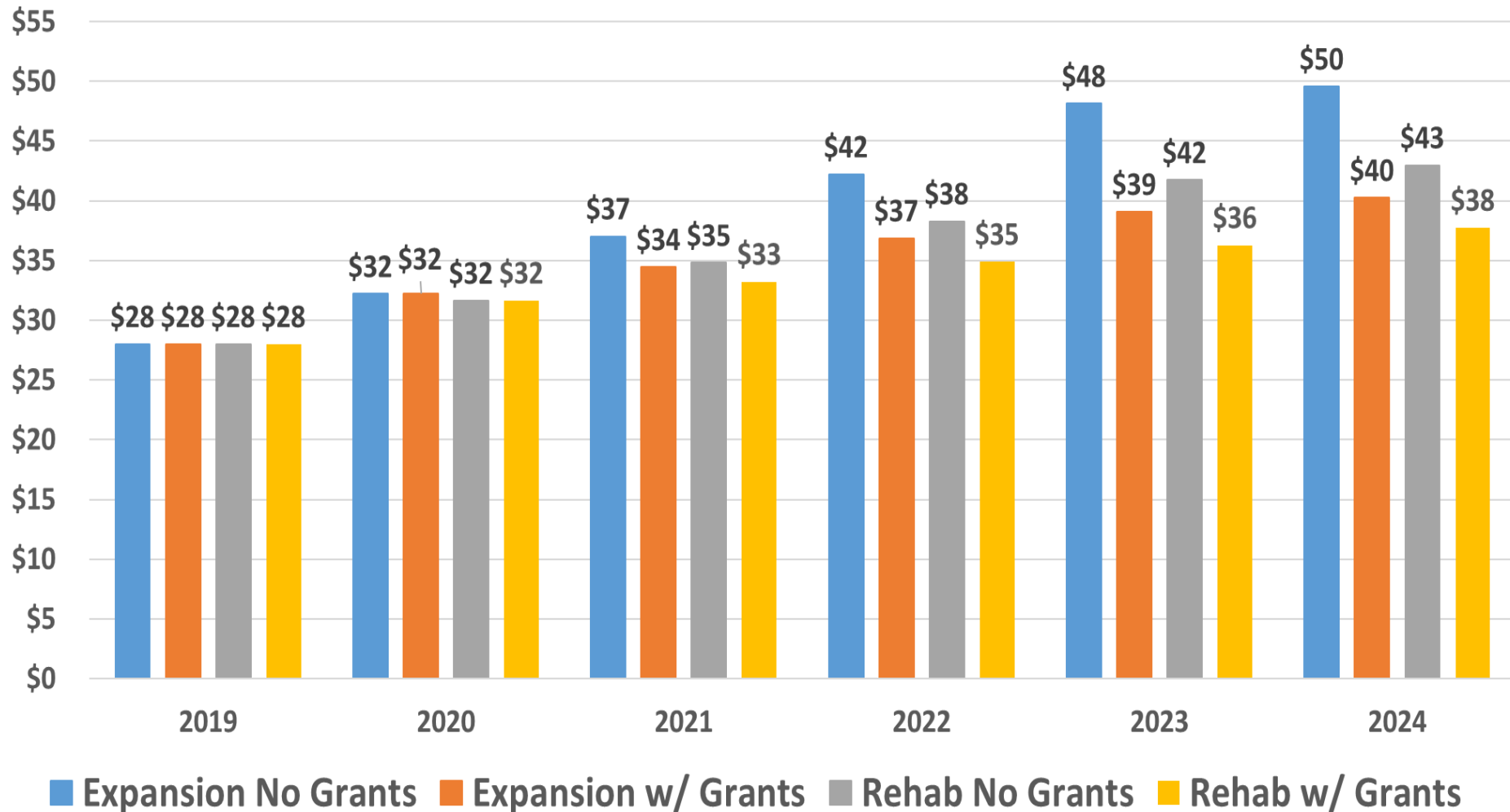


# Scenario Analysis Findings – Monthly Residential Water Bills in 2020 to 2024 (1)

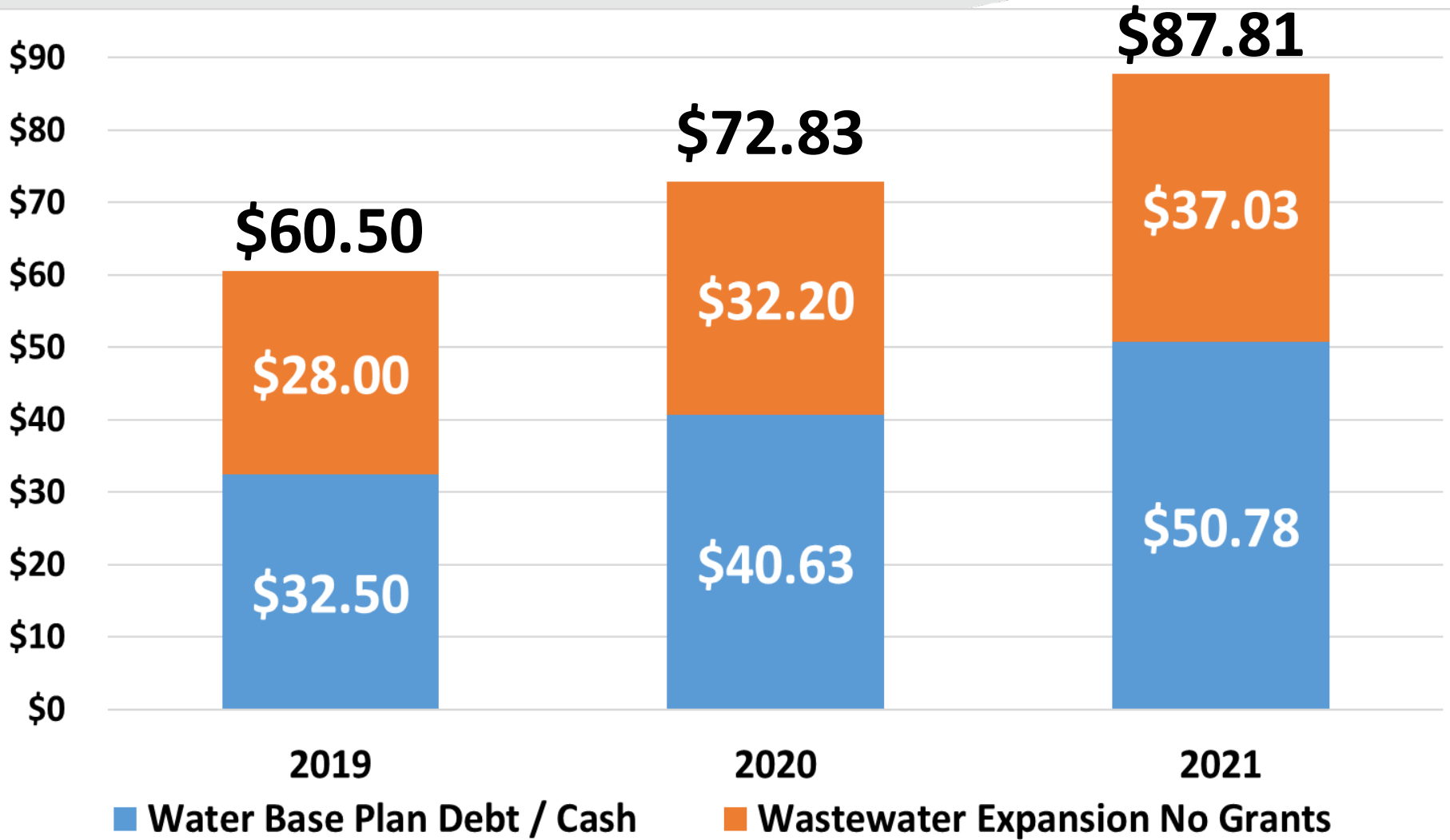


(1) 7,000 gallons of metered use per month.

# Scenario Analysis Findings – Monthly Residential Wastewater Bills in 2020 - 2024



# Combined Residential Monthly Bill (1)



(1) 7,000 gallons of metered use per month.

# Recommendations

1. Public hearing to adjust rates in 2020 before irrigation season
2. Consider 2021 rate adjustments
3. Pursue low-interest loan and grant opportunities
  - A. Maintain General Fund Transfers of \$200,000 per year
4. Continue to refine capital requirements prioritizing
  - A. Health and safety
  - B. Those that regulators will require
  - C. Those which reduce O&M and maintenance costs
  - D. Grant funded improvements
5. Renegotiate Crestone contract and service arrangement
  - A. Full cost recovery in lieu of inflation based increases
  - B. WWTF expansion may be delayed without Town but CIP still required to rehabilitate many facilities
  - C. Consider expanding District boundaries combining two wastewater systems
6. Complete cost of service analysis and potential rate structure changes
  1. Large users, Crestone, and irrigation-only customers
  2. Evaluate fixed and volume-based revenue recovery for both water and wastewater (e.g., volume based sewer recovery)

# Discussion



# Next Steps

- Public Hearing March 27, 2020 to consider 2020 rates
- Issue study report
- Phase 2 cost-of-service, rate design and tap fee study?
- Refine capital projects and prioritization
- Pursue operational efficiency and O&M cost reductions
- Aggressively pursue low-interest loan and grants





# Thank you!

Contacts:

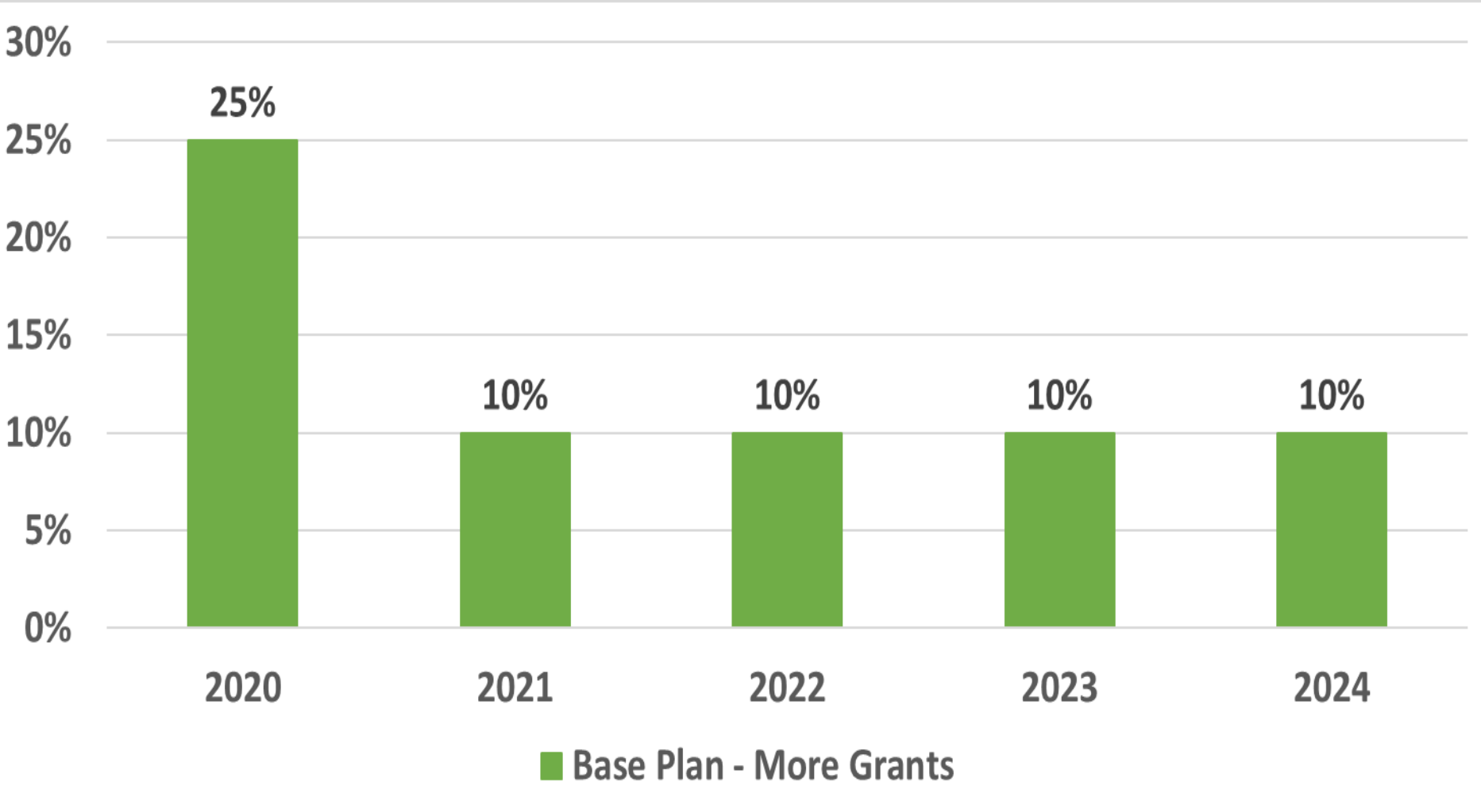
Andrew Rheem 303 305 1137 / [arheem@craftelis.com](mailto:arheem@craftelis.com)



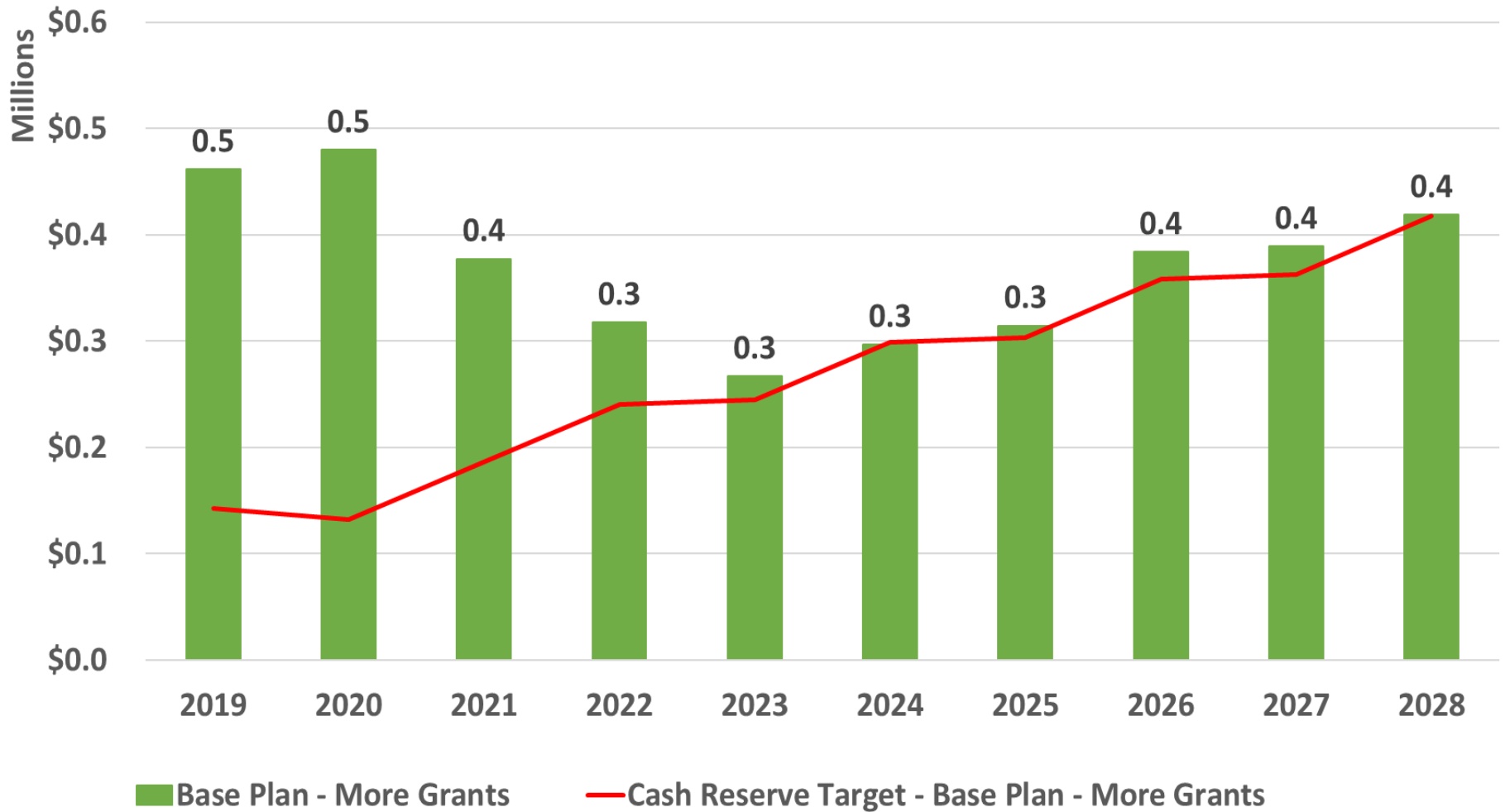
# Additional Slides



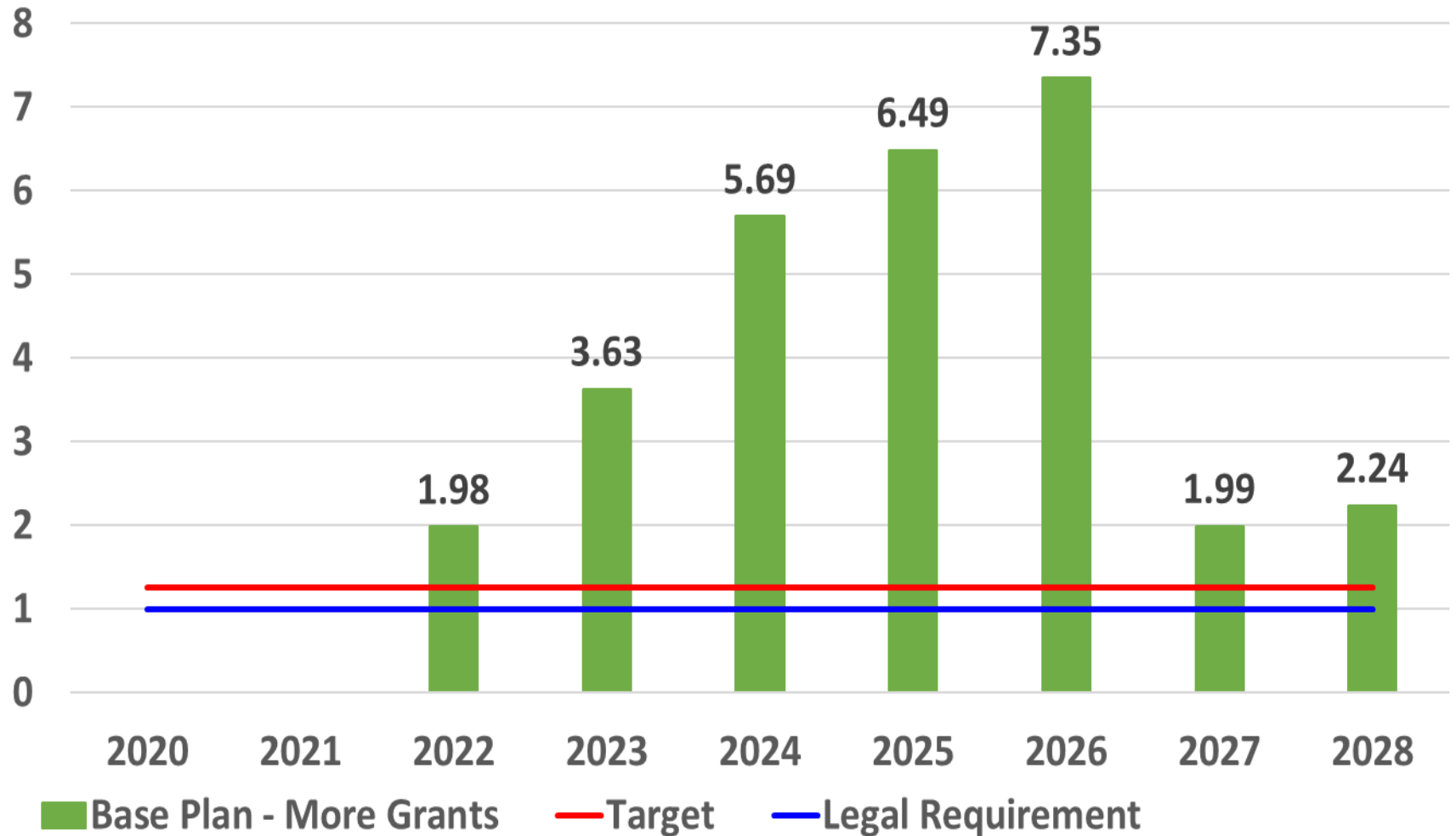
# Projected Rate Increases: Base With Grants Scenario



# End-of-Year Cash Balances: Base With Grants Scenario



# DSC: Base With Grants Scenario

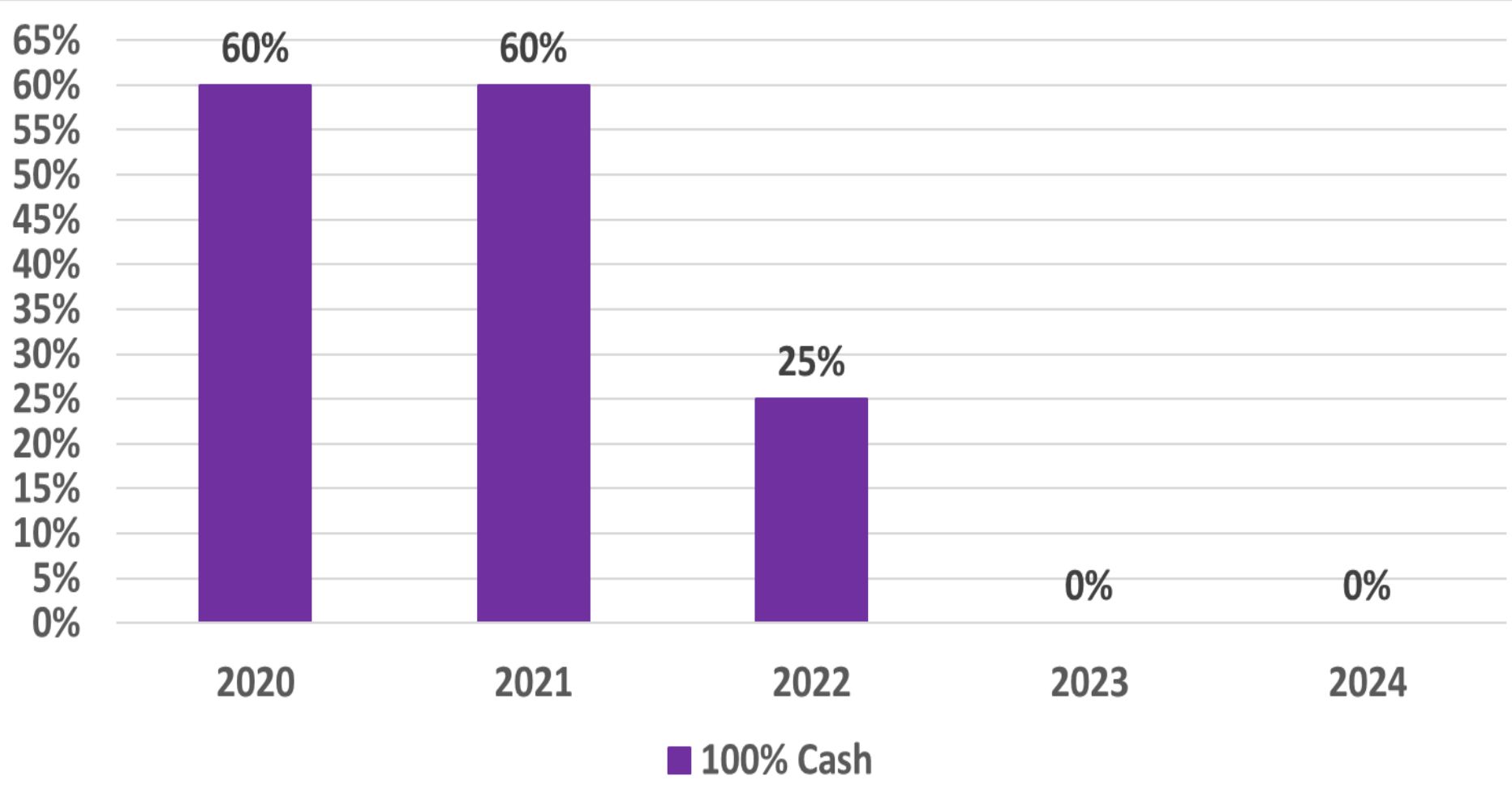


# Typical Monthly Residential Water Bill (1) Base With Grants Scenario

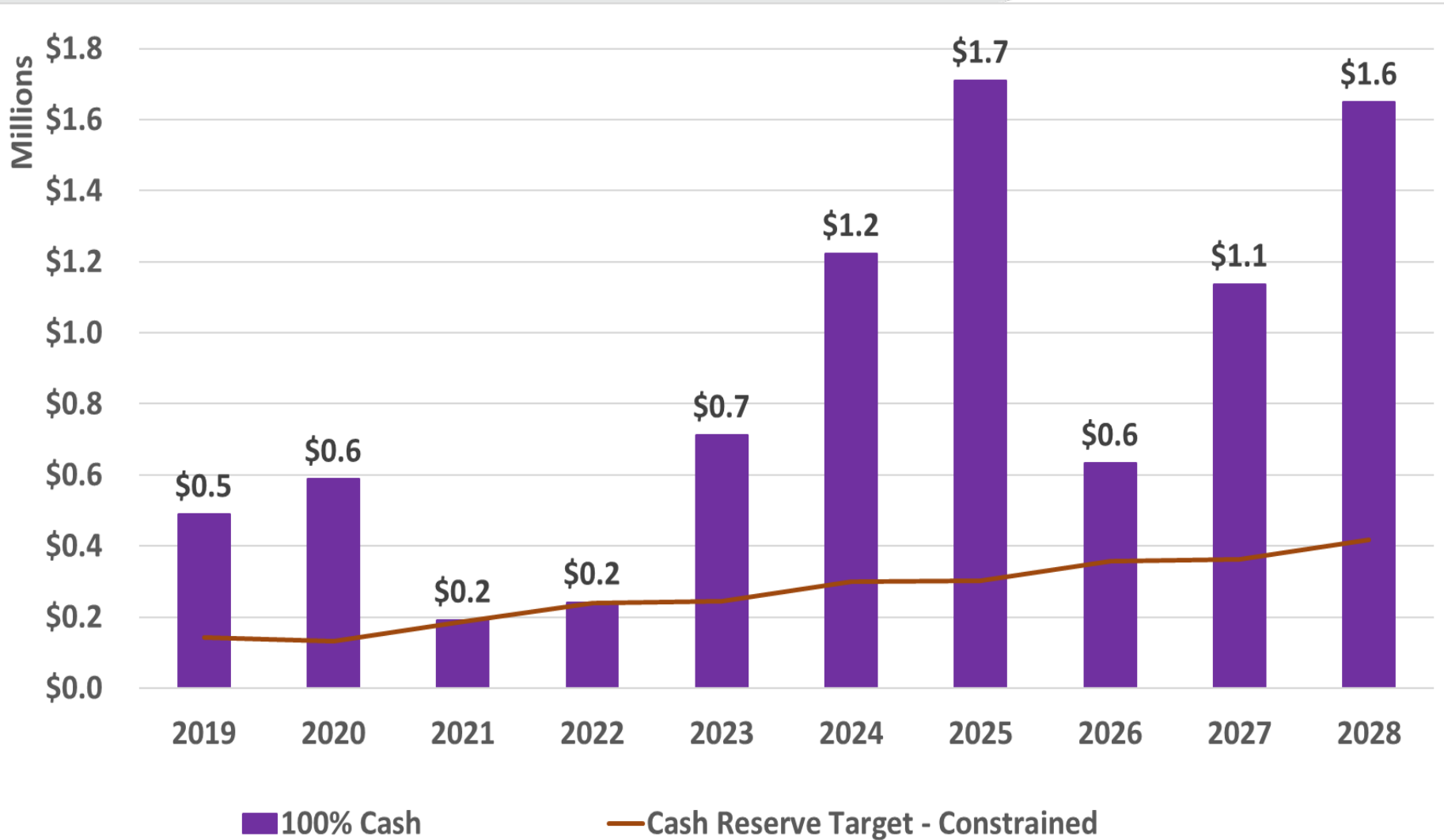


(1) 7,000 gallons water use per month.

# Projected Rate Increases: 100% Cash

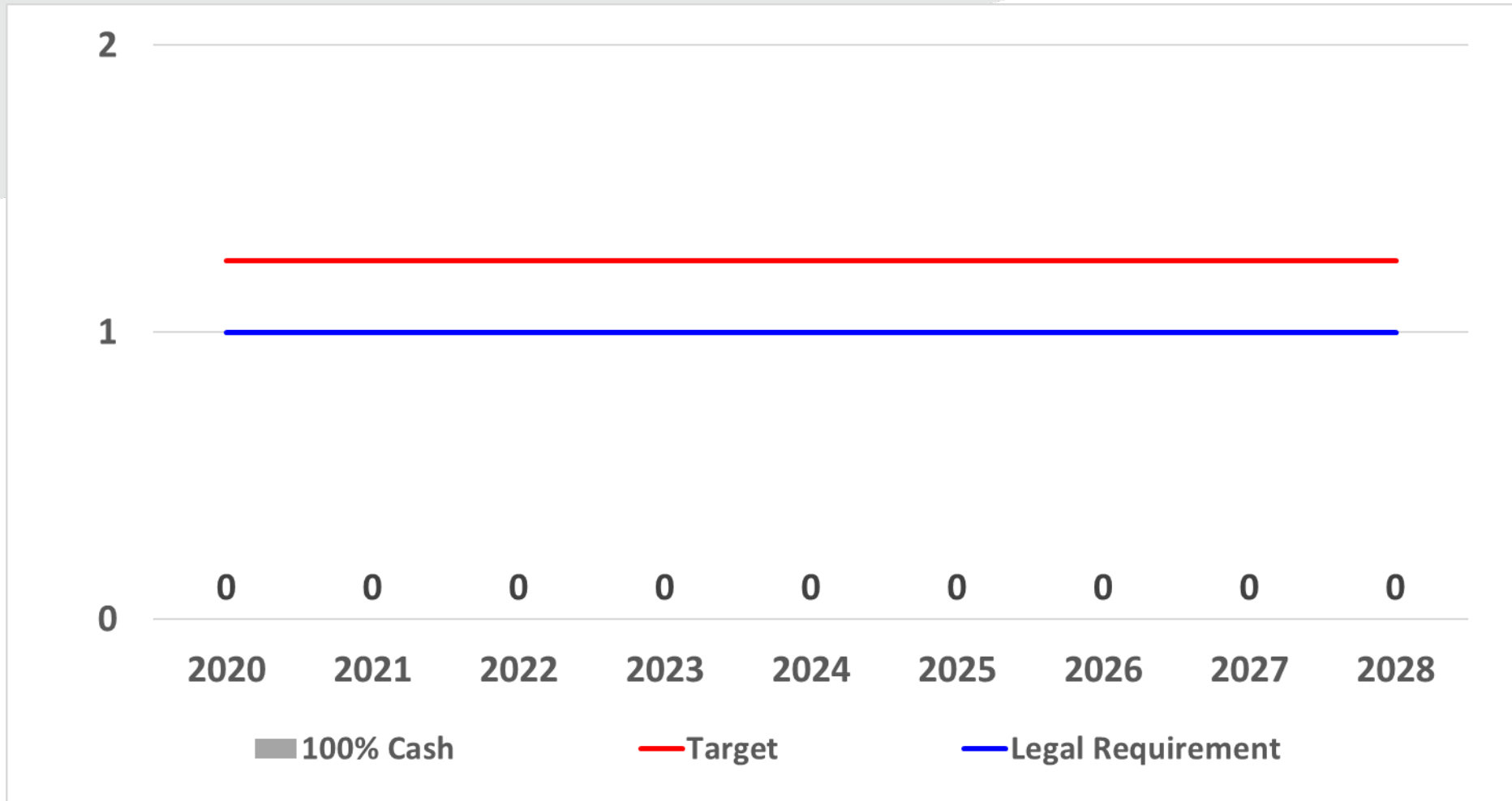


# End-of-Year Cash Balances: 100% Cash

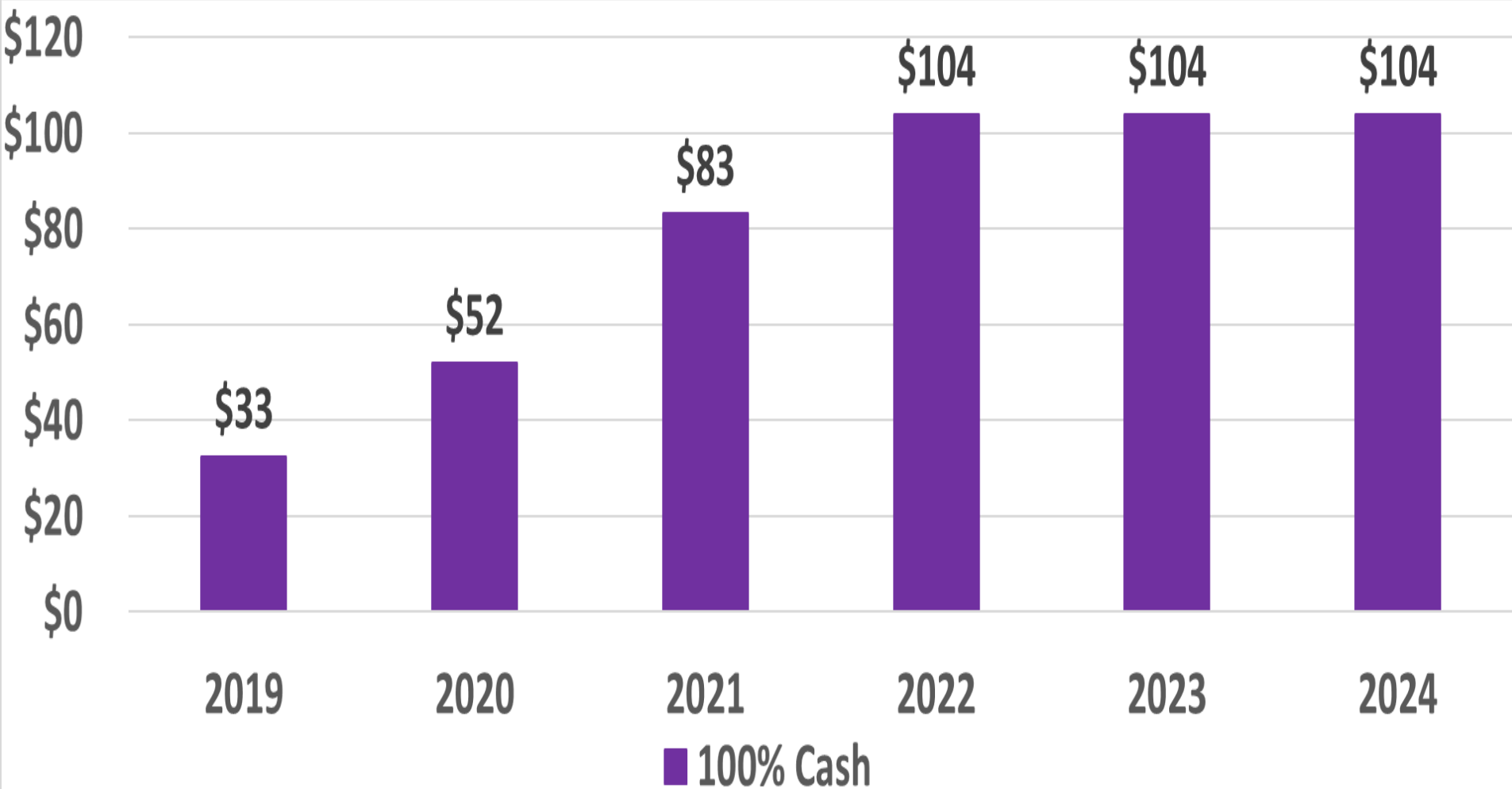




# DSC: 100% Cash

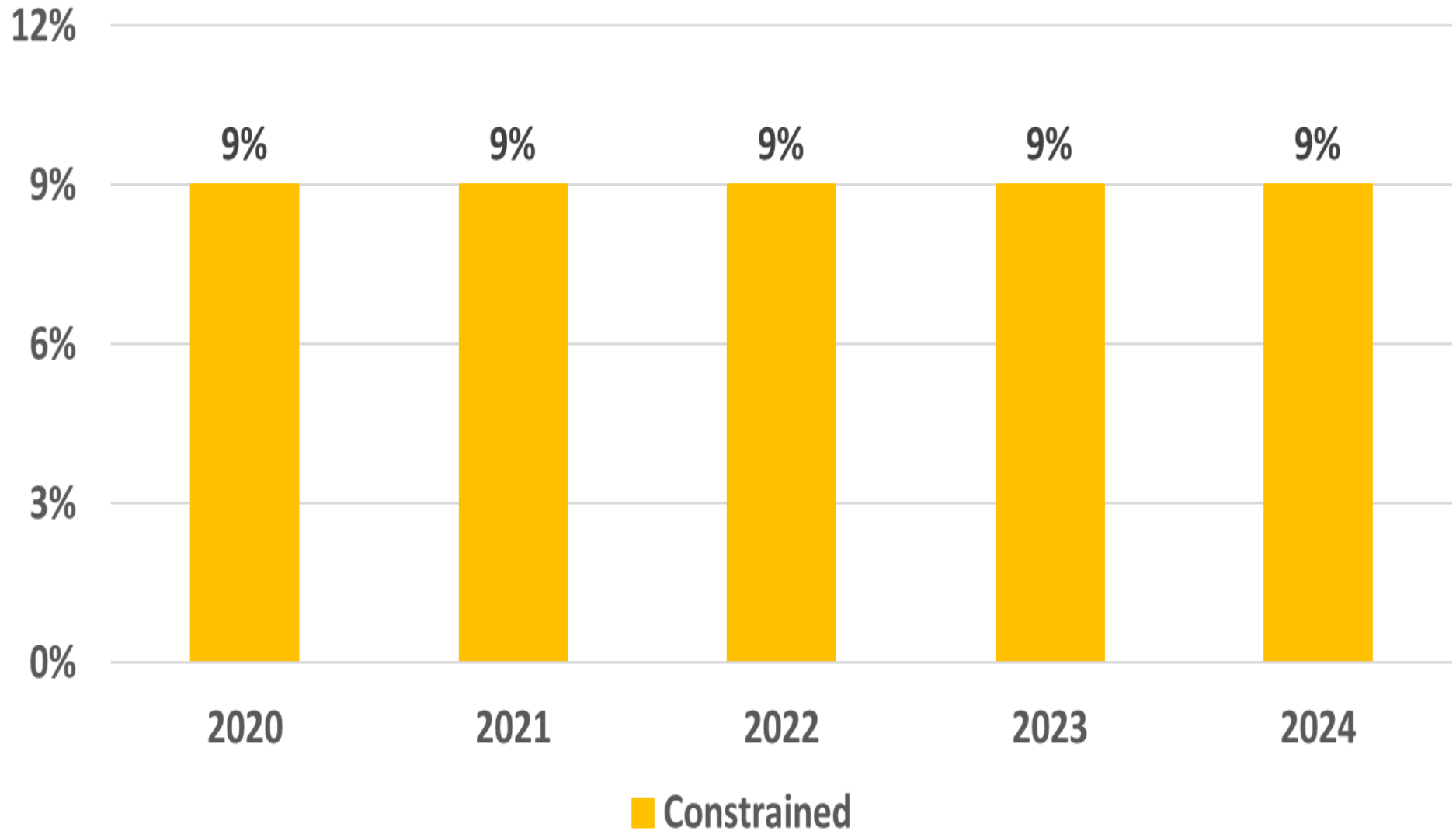


# Typical Monthly Residential Water Bill (1) 100% Cash Funding

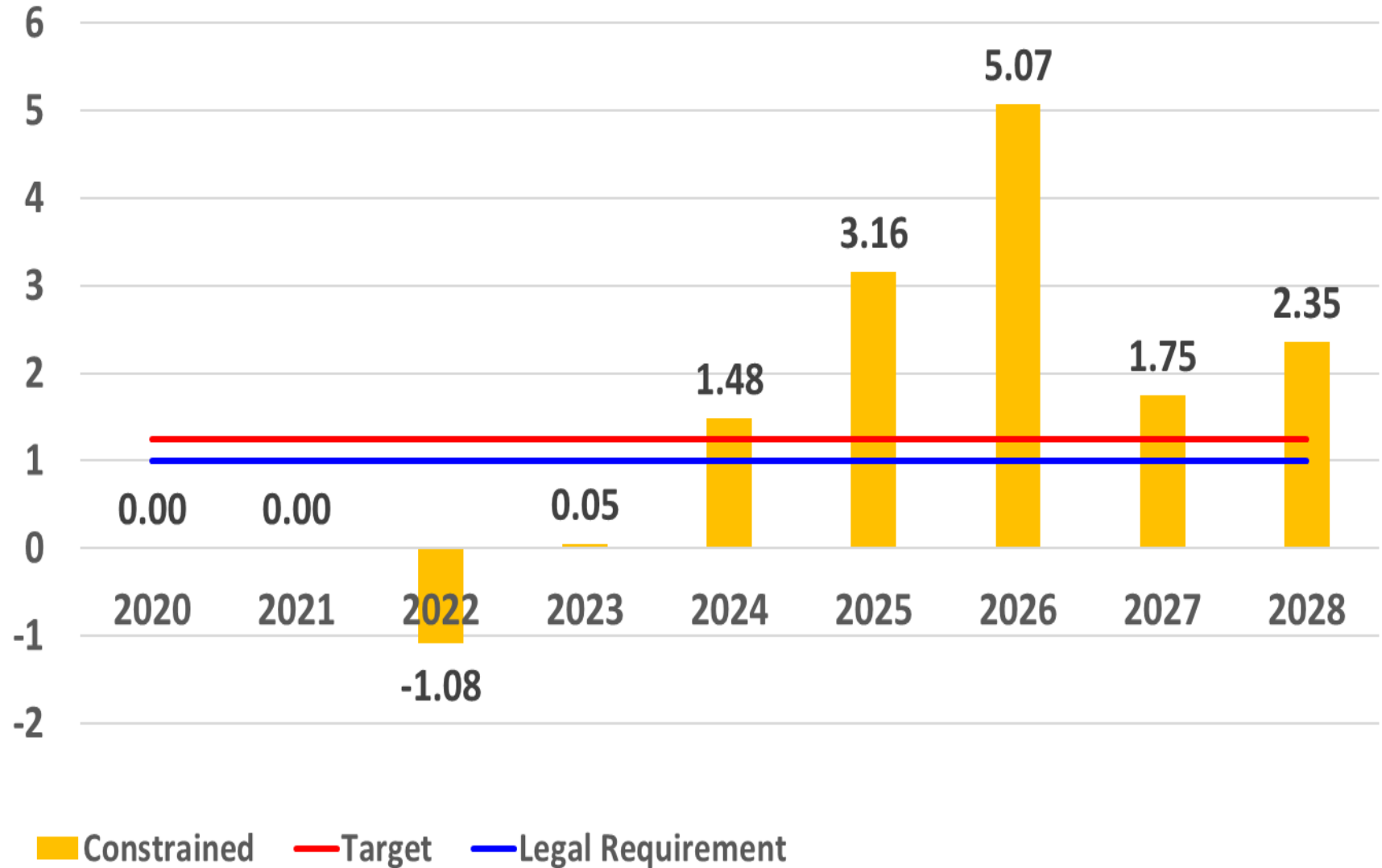


(1) 7,000 gallons water use per month.

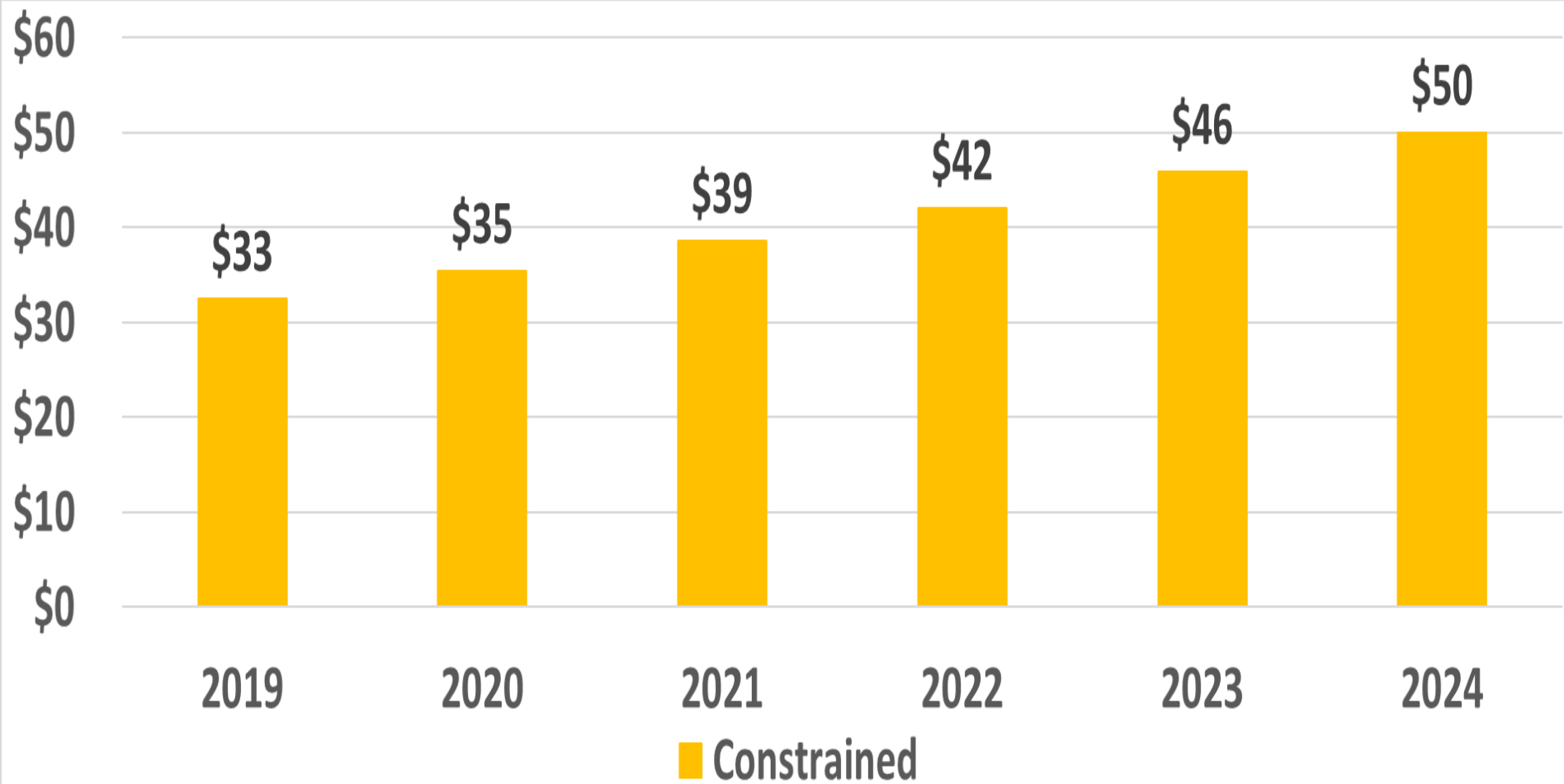
# Projected Rate Increases: Constrained



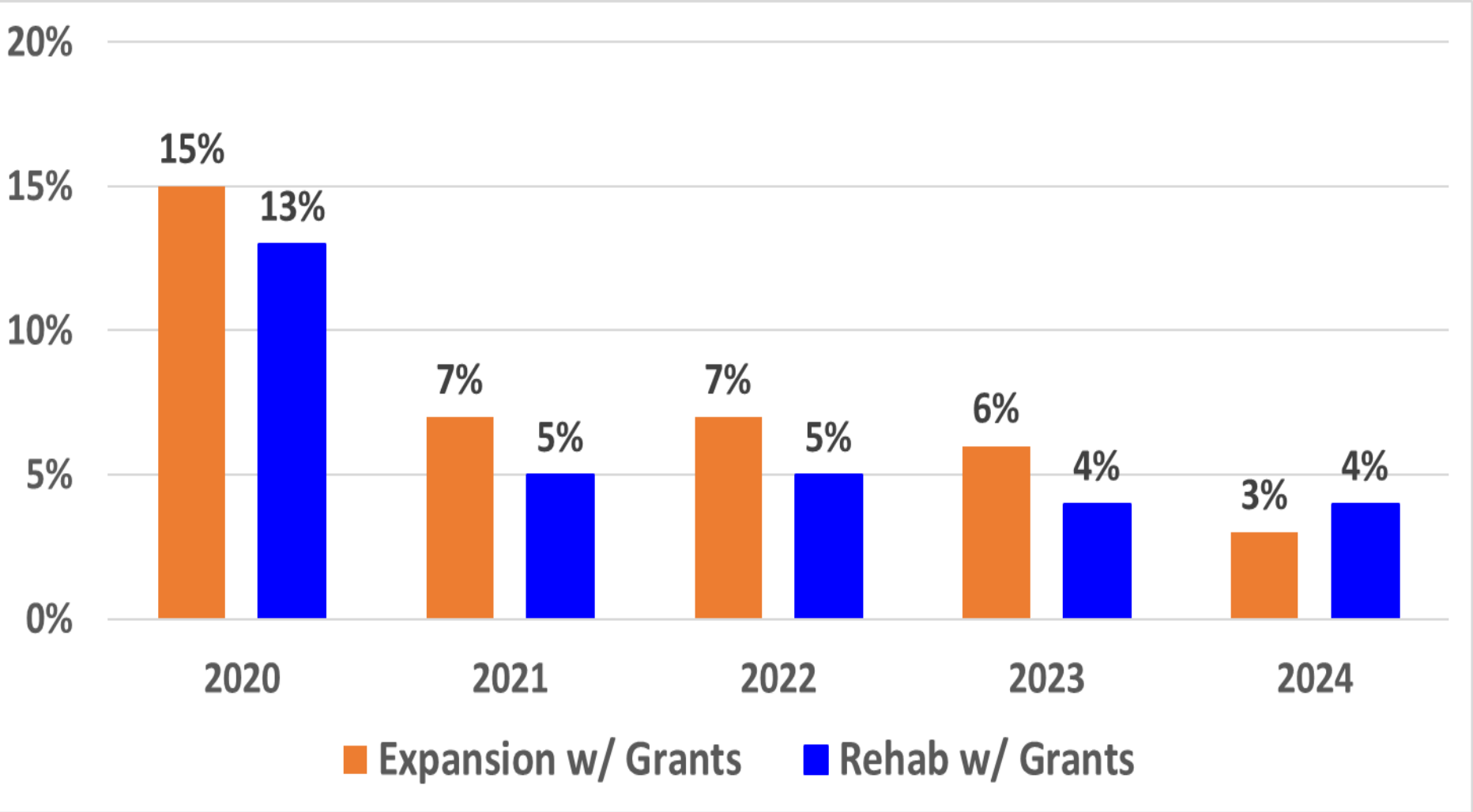
# DSC: Constrained



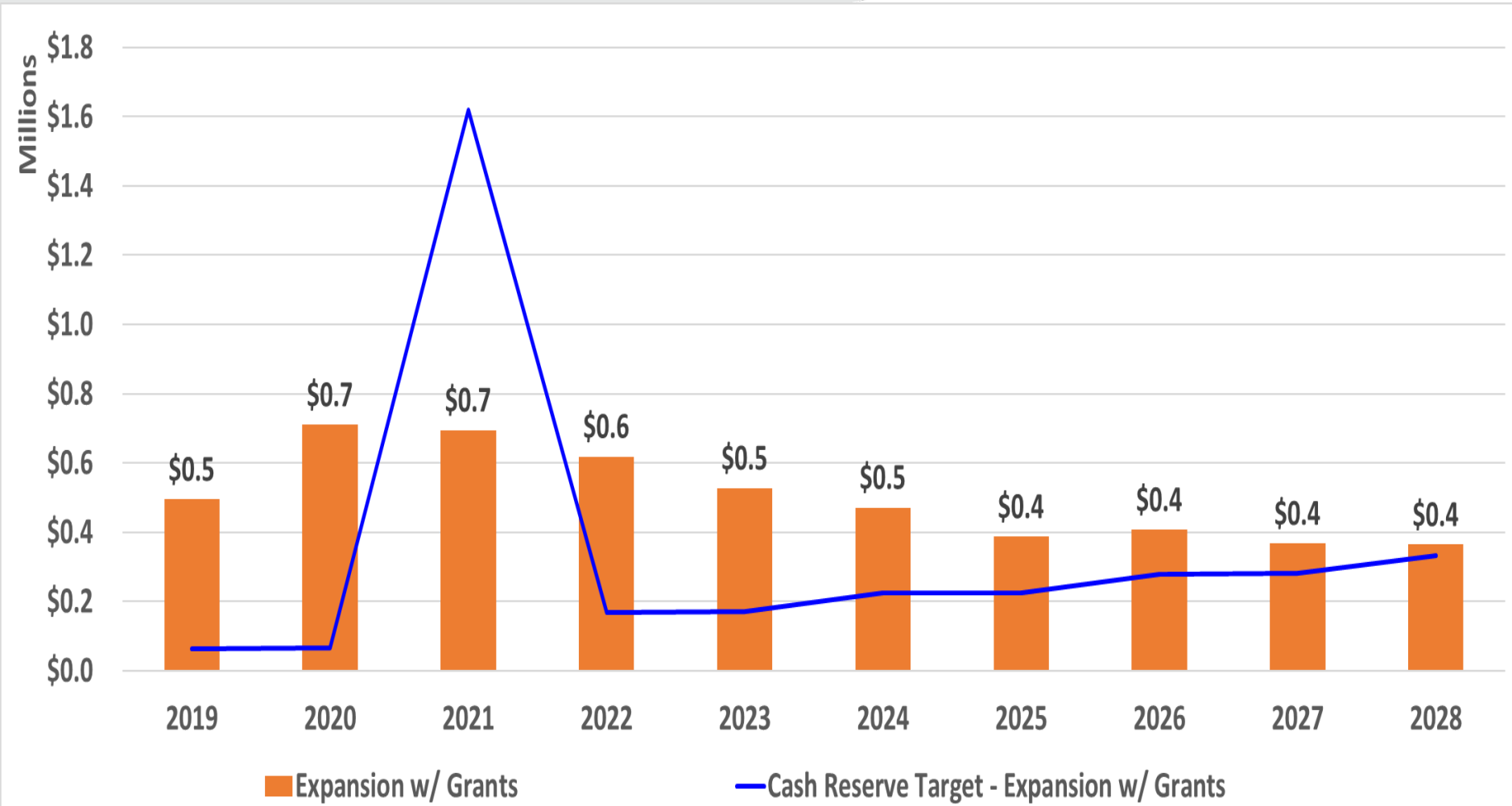
# Projected Annual Residential Bills: Constrained



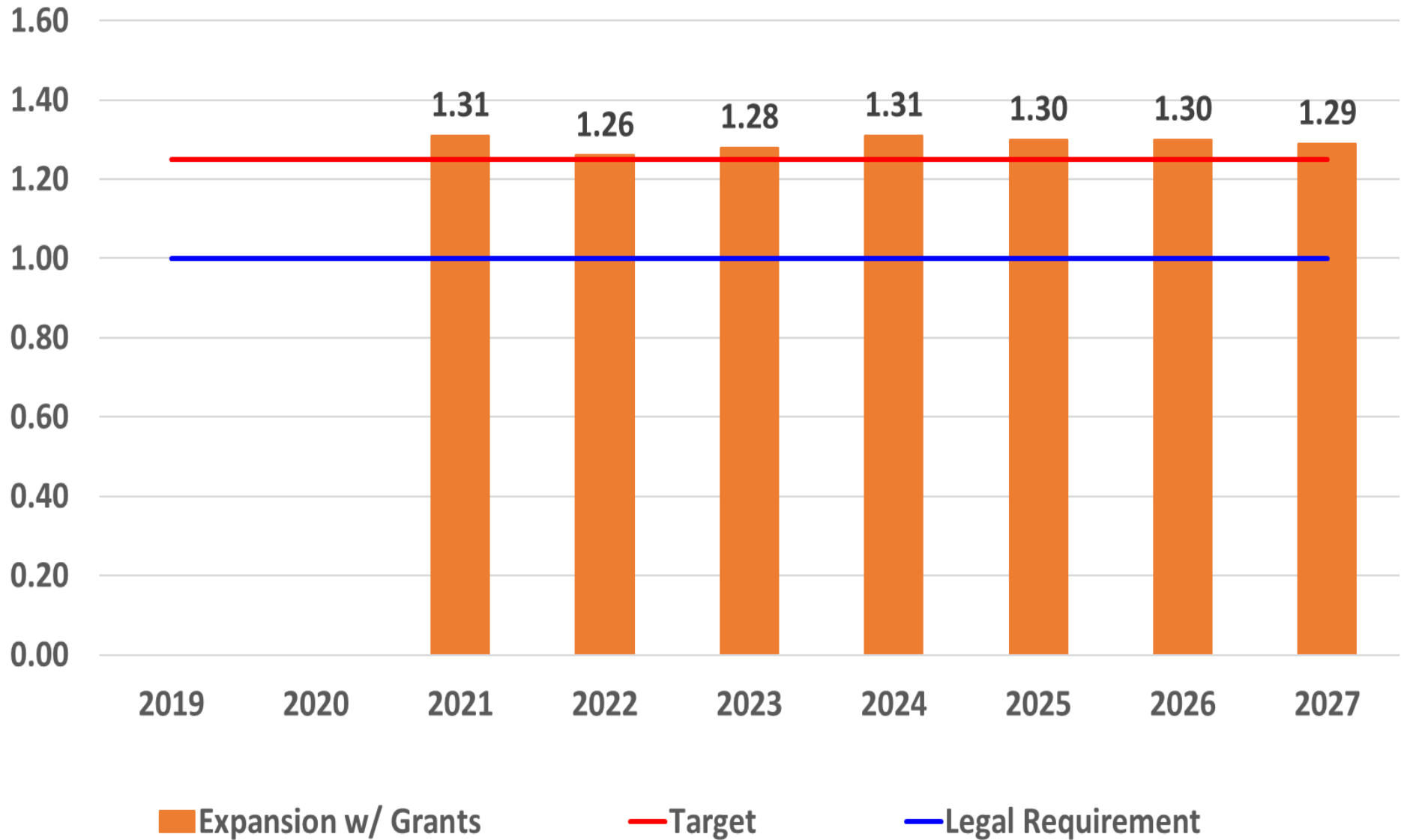
# Projected WW Rate Increases With Grants



# End-of-Year Cash Balances: Expansion with Grants

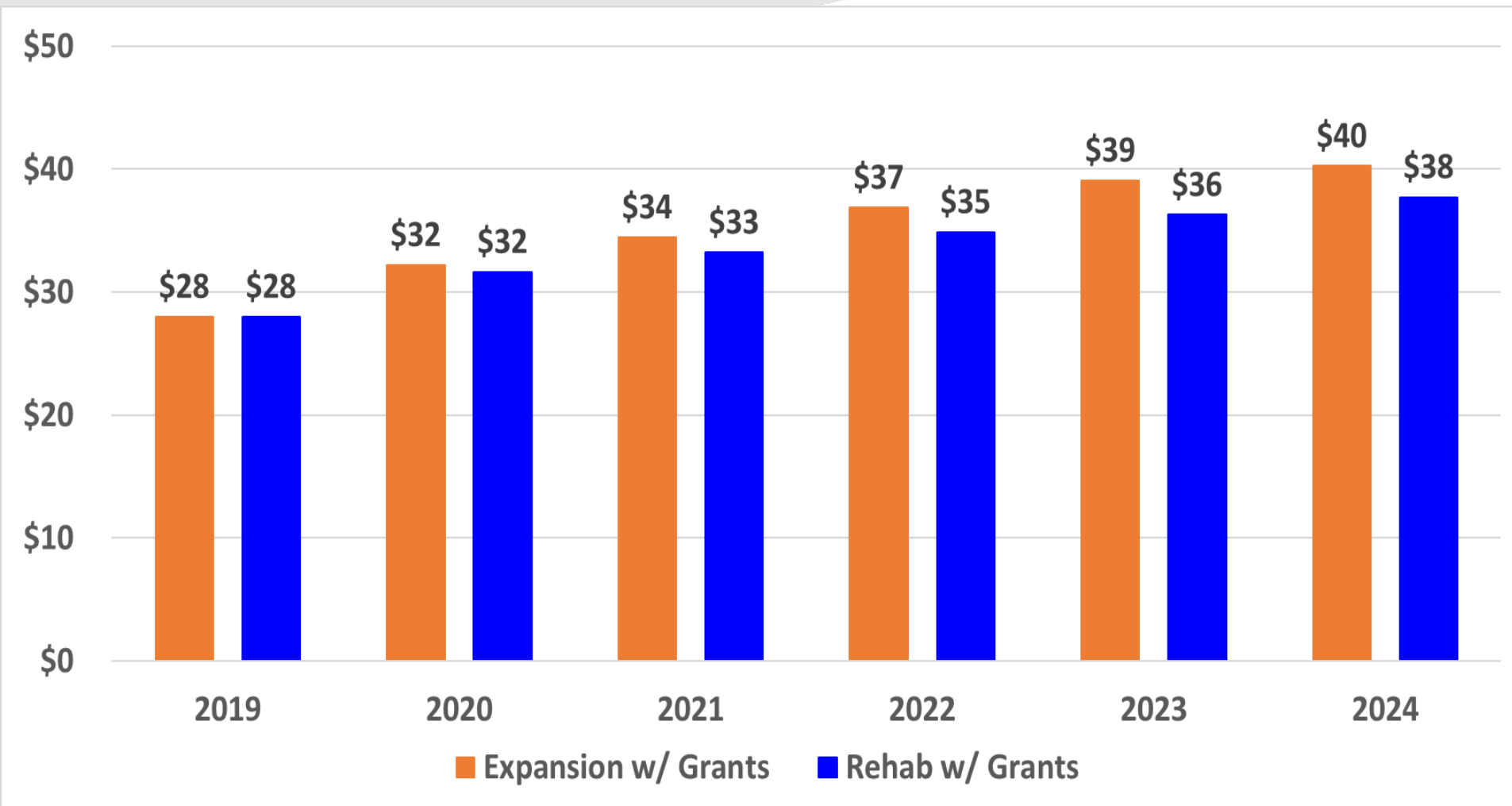


# DSC: Expansion with Grants

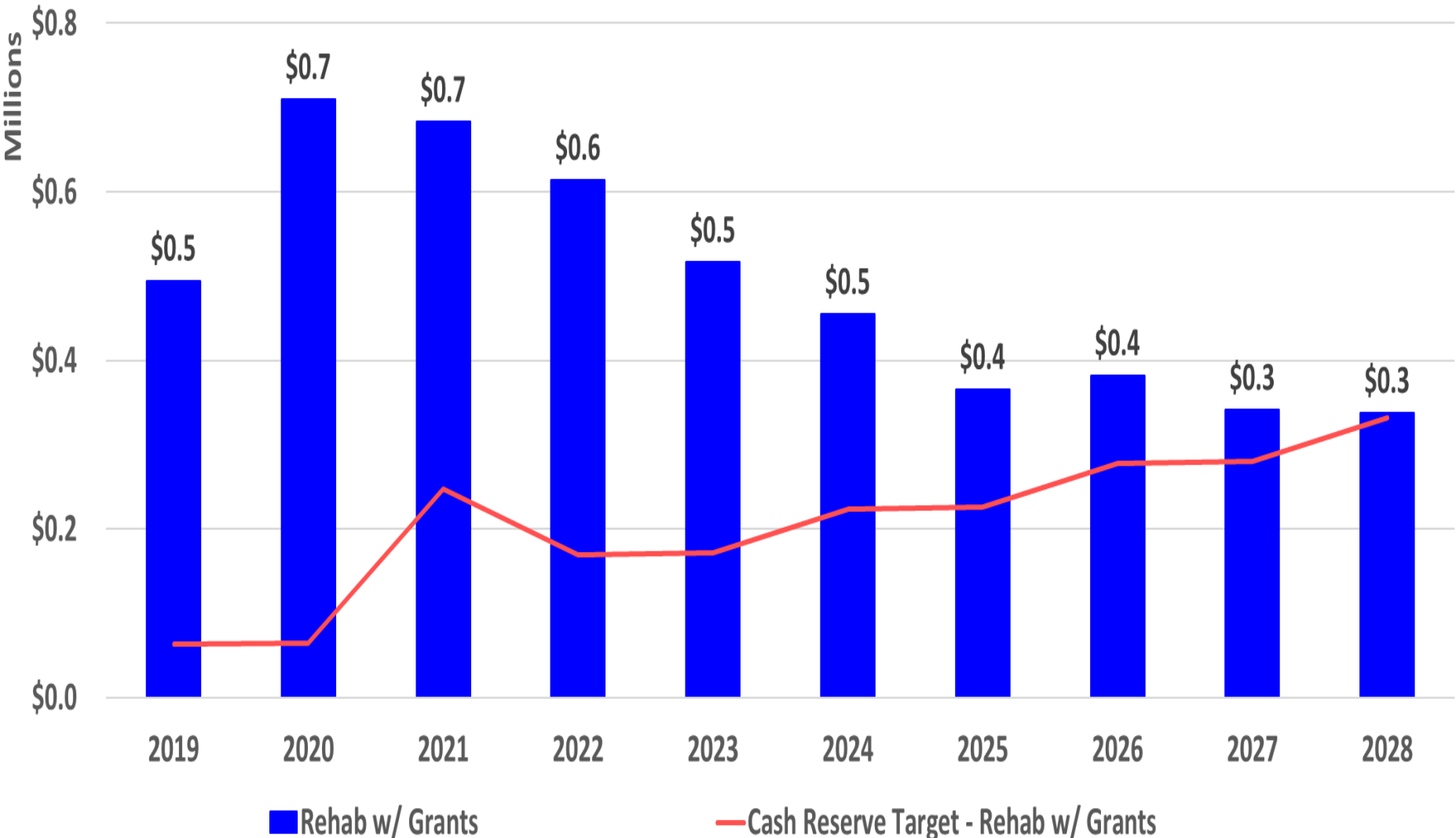




# Projected Annual Residential Bills: With Grants



# End-of-Year Cash Balances: Rehab with Grants



# DSC: Rehab with Grants

