

PAGOSA AREA WATER AND SANITATION DISTRICT)
)
ARCHULETA COUNTY) s.s.
)
STATE OF COLORADO)

NOTICE IS HEREBY GIVEN THAT a Work Session and Regular Meeting of the Board of Directors of the Pagosa Area Water and Sanitation District have been scheduled for Tuesday, July 14, 2009, at 5:30 p.m. and 6:30 p.m. respectively. The Work Session and Regular Meeting will be held at the District's administrative office located at 100 Lyn Avenue, Pagosa Springs, Colorado. The proposed Agenda is as follows:

1. Call to Order
2. Approval of Consent Agenda
 - Minutes – Special Meeting and Regular Meeting 06/09/09
 - Staff Reports
 - Projects Update
 - Financial Statements and Investment Report
3. Public Comment
4. Presentation of Compilation of 2008 Financial Statements, Karla Clark, C.P.A.
5. Consideration of Requests for Reduction of Fees
 - Archuleta County Board of County Commissioners
 - Town of Pagosa Springs
 - Archuleta Economic Development Association
 - Darrell Brueckner
6. Consideration of Lifting the Moratorium on Water Inclusions
7. Consideration of Requests for Fees and A Resolution Amending the District Policy Concerning Partial Waiver or Amortization of Fees
 - Habitat for Humanity
 - Seeds of Learning
8. Consideration of Request from Eric and Bertina Hutchens for Reimbursement of Costs
9. Report on Elimination of Highlands Lagoon Wastewater Treatment Facility and ARRA Stimulus Funding
10. Consideration of Requests for Contribution
 - United Way
 - Pagosa Springs Rotary Club
11. Consideration of Personnel Matters
12. Report on Insurance (Water and Sewer Back-up) Program
13. Any Other Business Brought Before the Board Will Be Duly Considered.

PAGOSA AREA WATER AND SANITATION DISTRICT

By /s/ Carrie S. Weiss
For the Board of Directors

SEAL

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
JULY 14, 2009 REGULAR MEETING

Attendance

The following Directors were present: Karen Wessels, Windsor Chacey, Bob Huff, Steve Hartvigsen and Harold Slavinski. Also in attendance were: Carrie Weiss, Gene Tautges, Art Holloman, Michelle Tressler, Sheila Berger, Chuck McGuire, Jodi Blankenship, and Karla Clark as well as members from the public as indicated on the attached list, noting that a large number did not sign the attendance sheet. The Board conference room was standing room only.

Call to Order

The Regular Meeting of the Pagosa Area Water and Sanitation District was called to order by Chairman Karen Wessels at 6:30 p.m. on July 14, 2009.

Disclosure of Potential Conflicts of Interest

Carrie Weiss had previously reported that she had filed a Conflict of Interest Disclosure regarding her position on the San Juan Water Conservancy District Board of Directors and receiving compensation for services as Manager for the Pagosa Area Water and Sanitation District. Chairman Karen Wessels had previously submitted a Disclosure as a Board of Director for the San Juan Water Conservancy District, the Pagosa Area Water and Sanitation District and as owner of Alpha Engineering, where one might perceive a conflict could arise. Windsor Chacey had previously submitted a Disclosure as a Board of Director for the San Juan Water Conservancy District and the Pagosa Area Water and Sanitation District. Harold Slavinski had previously submitted a Disclosure as a Board of Director for the District and a member of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Consent Agenda

The minutes from the June 9, 2009, Regular Meeting and the Special Meeting with the Board of Directors of the San Juan Water Conservancy District on the same date, as well as other items from the Consent Agenda were reviewed. A motion was made by Bob Huff and seconded by Harold Slavinski to approve the minutes, noting corrections to the Special Meeting minutes, and the other items on the consent agenda. The motion passed unanimously.

Public Comment

Karen Wessels asked if there were any public comments. The public present elected to reserve their comments until the appropriate point on the agenda.

2008 Compilation Financial Statements, Karla Clark, C.P.A.

Karla Clark, Clark, White and Associates, Inc., reviewed the financial statements that had been prepared by her firm for the 2008 audit. Mrs. Clark reviewed the comparison to budget statements for each fund noting that the General Fund overspent its 2008 Amended Budget appropriation by \$8,918 as a result of year-end adjustments for bad debt allowance created by a less than anticipated collection rate for property tax revenues. Mrs. Clark also reviewed the content and purpose of the Management Discussion and Analysis as well as the full financial statements. Bob Huff asked Mrs. Clark her opinion regarding the weighting of District investments in any one financial institution even if full Public Liability Deposit requirements had been met. Mrs. Clark responded that one year ago she may have indicated otherwise, but with

the recent happenings in the financial sector, she would caution that in the unlikely event that such an institution did fail, it could take a considerable amount of time for those funds to become available to meet day-to-day District needs. The Directors also inquired regarding the general operation and workings of the District administration and Mrs. Clark indicated that it would be during the audit by Wall, Smith Bateman and Associates, Inc., that the internal controls would be tested. She added that in her experience and interaction with the District she felt that good internal controls were in place. It was noted that the audit was anticipated to be presented to the Board on August 11, 2009. In light of criticism from some members in the community, Karen Wessels asked Mrs. Clark for her opinion of common Board members sitting on both the Pagosa Area Water and Sanitation District and San Juan Water Conservancy District. Mrs. Clark responded that she saw no conflict and, in fact, believed that it was beneficial because of the common interest and goals. Ms. Wessels added that there has been minimal interest in positions available on the SJWCD Board and getting the community more involved has been difficult. Also noted was the fact that the PAWSD elections were canceled in 2006 and 2008 due to lack of interest and no candidates exceeding the open positions.

Consideration of Requests for Reduction of Fees

Representing the Archuleta County Board of County Commissions, Greg Schulte addressed the Board. Mr. Schulte referenced the Resolution No. 2009-38 (copy attached) which had been provided to the Directors in their Board packet and stated that the community was in a unique time with development activity at historic lows. Mr. Schulte indicated that the County would like for the District to join them in creating incentives to stimulate activity in that sector by reducing all development fees by 50%.

Representing the Town of Pagosa Springs, David Mitchem acknowledged the change in methodology to calculate equivalent units by water demand using the universal plumbing code but also requested that the District follow the suggestion of the County and reduce fees by 50%. Mr. Mitchem indicated that the Town of Pagosa Springs had acted on Ordinance No. 742 (copy attached). Windsor Chacey asked by what means the Town would set criteria regarding the proposed sales tax rebates. Mr. Mitchem noted that he was confident that a system of verification could be put in place to assure reasonable controls for compliance with the Ordinance.

Mike Alley, President of the Archuleta Economic Development Association addressed the Directors noting that his agency had compiled much of the data to support the initiatives taken by both the County and the Town. Karen Wessels asked if LaPlata Electric Association (Mr. Alley is an employee of LPEA) had implemented any rate reductions to stimulate development to which Mr. Alley replied, no, that a flat rate is charged.

Carrie Weiss apologized for her oversight in omitting the request from the Pagosa Springs Area Association of Realtors on the agenda but indicated that their request and Position Statement had been received in a timely manner and distributed to the Directors in preparation of the meeting. Jan Santopietro addressed the Directors and read a prepared statement from the Pagosa Springs Area Association of Realtors (copy attached). Thanking the Directors for an opportunity to address the group, Mrs. Santopietro indicated that the decline in real estate sales directly corresponded to the initiation of the District's Water Resource Fee. The prepared statement further suggested that a surcharge should be placed on all monthly water service bills to replace up-front development related fees to new growth as well as other demands regarding executive session and recorded meeting minutes being available. Mrs. Santopietro concluded by stating that unless there were the suggested changes in current policy, the PSAAR would support the resignation of the current PAWSD Board and top management. Discussion ensued with Windsor

Chacey pointing out the large number of homes and commercial properties on the market that would not necessarily be subject to any fees unless there was an increased calculation of water demand. Lisa Reeves, United County Properties, replied that the reason for the focus was that vacant land sales create other related income opportunities such as design and building services and building material sales. Mrs. Chacey pointed out that as elected officials, the Board had a responsibility to represent the entire constituency and not a single sector.

Darrell Brueckner also addressed the Directors. Mr. Brueckner supported the statements of the previous speakers and indicated that his business was dramatically reduced because “people are not building because of these fees.” He further indicated that families have had to leave town since the downfall of the construction business.

Karen Wessels read a prepared statement (copy attached) which addressed many of the comments received as well as a discussion of reaching for short-term benefit at the expense of long-term planning. Ms. Wessels also suggested that there were other ways to mitigate the downturn in the local economy and pointed out the efforts on behalf of the District to create jobs through a series of successful financings and grants as well as other measures such as offering amortization of the Water Resource Fee and changing the manner in which equivalent units are calculated. She added that numerous jobs have been provided to Hart Construction Company in recent years that have been funded, in part, by revenues derived from Capital Investment Fees. Bob Hart was in attendance and had submitted a letter, representing the Builders Association of Pagosa Springs, supporting the County’s and Town’s development fee proposal. Mr. Hart seemed startled when Ms. Wessels stated that many of those jobs would not exist without the CIF fees.

A number of other people made comments; all but two spoke in favor of the County and Town initiatives. Nan Rowe stated that she was speaking on behalf of the rate-payers and non-builder and real estate sectors and thanked the Board for “not joining the team” of the majority of those in attendance.

Carrie Weiss reminded the audience of the significant steps taken in 2008 in revising the equivalent unit (e.u.) calculation to a more industry standard based on fixture count and the significant effect it had on reducing e.u.s, in particular, commercial development. She reported that of the more than 800 water and/or wastewater connections that were grandfathered in to the Water Resource Fee period in 2006, 149 single-family and 25 mixed-use connections had been completed but no building construction had occurred. She pointed out that of these connections, which equated to more than 350 e.u.s, WRF and additional Capital Investment Fees would not be assessed unless e.u.s calculated at a greater amount than what was indicated at the time the service was completed.

Karen Wessels pointed out the lateness of the hour and closed public comment period. After further summation by the Board of Directors a motion was made by Steve Hartvigsen and seconded by Bob Huff to retain the current fee schedule. The motion passed by a unanimous vote of approval.

Consideration of Lifting the Moratorium on Water Inclusions

This agenda item was tabled due to the lateness of the hour.

Consideration of Requests for Fees and a Resolution Amending the District Policy Concerning Partial Waiver or Amortization of Fees

Staff had worked with legal counsel to prepare a draft revision to the Resolution Amending the District Policy Concerning Partial Waiver or Amortization of Fees in response to Board direction at the June 9, 2009 meeting when James Vierbicher, President of the Board of Directors of Habitat for Humanity, initially made a request for further consideration of fees. The resulting draft contained a provision to further reduce the Water Resource Fee by 75% for Habitat for Humanity which serves partner families with an Area Medium Income of 30 to 50% of the amount as reported by USDA HUD. Mr. Vierbicher addressed the Board and thanked them for this possible consideration but indicated that it still was not enough. Mr. Vierbicher further asked the Board to consider a reduction of the Capital Investment Fee noting that while the additional Water Resource Fee waiver proposed would result in approximately \$1,400 less fees, the remaining increase of approximately \$5,800 was still too much given his clients' needs for affordability. Staff was directed to continue work with legal counsel to determine if anything else could be done. No action was taken on the draft Resolution.

Roger Scott, President of the Board of Directors of Seeds of Learning, addressed the Board with his request, copy attached, to eliminate the remaining Capital Investment Fees originally levied in March of 2007 (note at such time special consideration was provided by the District Board with an agreed-to payment schedule). Mr. Scott offered that due to the lateness of the hour, if staff was directed to continue to work with legal counsel as it pertained to the Habitat for Humanity request, perhaps his request could be similarly considered. Lyn Dryburgh offered to submit information documenting that Seeds of Learning is mandated to serve a certain percentage of low income or disadvantaged children and as such may be considered similarly to the request for consideration of fees in the same manner as affordable housing. The matter was tabled pending that information and consideration by legal counsel.

Consideration of Request from Eric and Bertina Hutchens for Reimbursement of Costs

This agenda item was tabled due to the lateness of the hour.

Report on Elimination of Highlands Lagoon Wastewater Treatment Facility and ARRA Stimulus Funding

Gene Tautges presented a memo regarding the current status of the ARRA Stimulus Funding noting that a number of the components of the financing by either grant or no to low interest loan remains in transition (copy attached).

Bob Hart, Hart Construction made an appeal to the Board regarding opening the bidding of the contract for the elimination of Highlands Lagoon and the related new construction of sewer mains to local contractors (copy of suggestions attached). Discussion ensued regarding the various Federal requirements that are mandated to be followed in the contract bidding and award process and the Board's intent to secure the maximum economic benefit for the community while working within those requirements. Gene Tautges noted that a workshop to assist local contractors in meeting the ARRA requirements would be sponsored by the District in the near future.

Consideration of Requests for Contribution

This agenda item was tabled due to the lateness of the hour.

Consideration of Personnel Matters

Carrie Weiss informed the Directors that while the Salary and Benefit Survey and resulting work by the Personnel Committee was not yet finalized and ready for presentation to the Board, it had been determined that three positions were being paid significantly lower salaries than appeared to be appropriate based on the information gathered. Furthermore, two positions had accepted

additional duties and responsibilities that were not reflected in their corresponding salary range and one new position had been filled. Mrs. Weiss indicated that the proposed increases were within budgeted salary adjustments that had been anticipated in the 2009 budget and asked the Directors to approve these salary increases effective July 1, 2009, noting that the increases would reflect compensation for changes that had already been in place for some time. Mrs. Weiss also mentioned that once the Salary and Benefit Survey was complete other increases may be indicated. Bob Huff made a motion to approve the increases as recommended. The motion was seconded by Harold Slavinski and passed unanimously.

Report on Insurance

This agenda item was tabled due to the lateness of the hour.

Other Business

No other business was brought before the Board.

There being no further business to come before the Board, the meeting was adjourned at 10:02 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer

7-14-09 Karen Wessels PAWS Mtg.

About one year ago, several of the community leaders got together to try to come up with a plan to help mitigate the economic turndown in our community.

The group became know as the Community Economic Roundtable. It represented Town, County, the PAWS, SJWC, Fire, School and Health Service Districts.

It was PAWS and the WC districts understanding that the mission of this group was to conceived and evaluated ideas to help mitigate the local economic turndown and to determine what the best steps would be for all of us to help the entire community.

The Town felt the first step would be to update the Economic Planning Systems (EPS) report that was done in 2006 to evaluate what capital projects would be needed and how much could be assessed in the form of impact fees.

PAWS had already signed contracts to restudy their fees and charges along with projections for the Dry Gulch project. Therefore, they did not participate financially in the anticipated \$38K project. Nor did the Health Services District. The WCD did agree to participate financially in the study update, but still have not received an IGA from the County who agreed to head the effort.

About three weeks ago the Town & AC came up with a draft Development proposal that included PAWS. However, it was not created with PAWS. There was no offer by the County to discuss this with them before they voted. It was passed on to AEDA, who with very little time to assess it, voted for it with one nay vote.

There has been very little research associated with this proposal with regards to the domino effects that it will have on the other huge majority of the community. This all happened in about a three-week span and has already been voted on and passed by the BOCC & the Town Board. This was not well publicized and did not give opportunity for the entire constituencies to participate. Not only that, the other participants of the CER were not notified or informed of this proposal-now passed by three major entities. It was also our understanding the update of the EPS was to be a tool in making and evaluating these decisions. The report is not due to be completed until at the earliest, the end of the month which would be right at a one year's time since the inception to update the EPS report.

So, what is the ultimate goal of this action? To stimulate jobs and to try to keep our current population from moving somewhere else. That's the bottom line. There are potentially numerous ways to mitigate and hopefully accomplish those goals. As the Town stated during their work session last Thursday, this is just the beginning of actions. The Town and County, with review by AEDA, the Builders Association and the Board of Realtors, came up with the waiving of development fees with sales tax rebates to building material suppliers. This may be successful. But, what about the rest of the community? This proposal benefits a very small sector of this community directly. How much will

this benefit the rest of the community and how much will it be a negative impact on them? Several of the crafters of this action feel that local people should carry some of the burden of growth and development through increased service charges. Where else might the reduced revenue stream be made up? Will it be lack of needed infrastructure and/or maintenance? Will it be a loss of more jobs because those projects on the books cannot be funded? Will it be a loss of more employee jobs? Will it be borrowed from another fund with the same questions applied? The public has a right to know the answers to these questions. What about the other retailers? What about those who have homes and businesses on the market now? There is reportedly currently a 6-yr inventory of properties on the market now? How will that affect them if more new homes and commercial buildings are being built? Keep in mind, no water fees would apply to existing homes and commercial buildings unless the EU's are increased. How will badly needed infrastructure for those of us here be built? Will maintenance or other services us locals need be cut? These are just some of the concerns that are coming out of this action. PAWS is being pressured to comply with a decision that was made without their input. Why are other utilities and districts not being included?

Again, there are potentially numerous ways to mitigate and hopefully accomplish those common goals.

With regards to PAWS, the capital investment fees are used to pay for current and future capital improvements. Local contractors who employ local people perform a lot of this work. If these fees are cut in half, clearly that will cut those local jobs as well. So what has been gained?

Another way to mitigate the economic turndown is to find other revenue streams. PAWS has been extremely aggressive and successful in applying and being awarded grant monies and low interest rate, long term loans. Within the last two years, PAWS brought in over \$7MM for construction projects which precipitated into numerous jobs here. This year, we were granted over \$1MM and acquired several MM in a 0% loan with the balance at a 1% loan for a total of \$9.3MM. Again, those funds, to be used for replacement of the Highlands lagoon, have and will create numerous jobs.

PAWS has also brought in over \$11.2MM in the form of a 3.5% 30-yr loan for land acquisition for the Dry Gulch project. The WRF is needed to pay debt service to that loan. Most people understand the importance of this project and its need to provide for growth and development. This clearly is a long-term project that has, currently is and will create numerous jobs locally.

I'd like to publicly thank the grantors of these monies into our community who are

- The CO Water Resources & Power Authority
- The CO Dept. of Public Health & Environment
- The CWCB
- The SWCB

We all need to appreciate and thank them because these monies are a huge benefit to our economy and community by providing jobs.

Other things that PAWS has accomplished to help mitigate the local economic problems are the following:

- Through local input by commercial businesses, the EU calculation methodology was changed thus typically resulting in a lower EU count on which the fees are based.
- Policy was adopted to allow amortization of the WRF, thus resulting in an up front water connection cost of \$4809 for 1 EU with a 5/8" tap.
- Policy was adopted to allow for a cost recovery program for developers who put in infrastructure, enabling them to collect from others who connect to said infrastructure at a later date.
- An affordable housing policy giving relief was adopted.
- PAWS continues to participate in the CER meetings.
- PAWS is prepared with "shovel ready" projects as needed so as to be ready for any potential available funding.

There are many other things that have been done, which will also help with this downturn in the economy through their ripple effects such as composting/recycling of sludge, participation in the geothermal greenhouse project, conservation easements, conservation planning, incorporation of renewable energies, extensive capital improvement planning now out to 2055, local preference policy, etc. A lot of these actions and policies were formulated through public input. However, our meetings are poorly attended and we encourage those who have concerns about our actions and policies to come to the meetings, come to our special presentations and tours, get on the web site and simply call a PAWS representative.

PAWS continually works to balance responsiveness and fiscal responsibility to the community with the needs of maintenance of current infrastructure and preparedness for future infrastructure. These are imperative to a healthy community.

- Cannot get rid of connection ("meter") fees as those are hard costs - no profit.

→ Cause: Lots are "connect ready" due to waiver of the WRF for 3 construction seasons & prepayment of connection fees prior to 6/06. No water fees will apply when building commences unless the # of EU's are increased.