

**MINUTES OF BOARD OF DIRECTORS MEETING
CLIFTON WATER DISTRICT
THURSDAY, JULY 7, 2011**

BOARD MEMBERS PRESENT: Robert Burger, Chairman; Alan Hassler, Vice-Chairman;
Doralyn Genova, Secretary; Dale Peck, Treasurer;
Robert Norman, Director

STAFF MEMBERS PRESENT: Dale Tooker; David Reinertsen; David Foster;
Kelly McLaughlin

GUEST: Dan Brown

REGULAR MEETING

Chairman Burger called the Regular Meeting to order at 5:00 p.m. Guest Dan Brown was introduced. Two additional Staff Reports were added to the agenda: Front Office Security Update and Customer Refunds.

MINUTES OF THE JUNE 2, 2011 REGULAR MEETING

Director Genova moved to approve the June 2, 2011 Regular Meeting Minutes as submitted. Director Peck seconded and the motion passed unanimously.

FINANCIAL REPORT AND ACCOUNTS PAYABLE

Director Genova moved to accept the Financial Report and Approve Accounts Payable Regular Checks of \$84,663.41 plus HRA Disbursements of \$4,999.40 plus Benefits Checks of \$19,380.70 plus Supplemental Checks of \$17,527.05 for a total of \$126,570.56. Director Hassler second the motion. Accountant Foster presented revised Profit and Loss Statements from January – April, 2011, and a revised Statement of Cash Flow for April, 2011. The Board recognized there were some inaccuracies in these Statements and Accountant Foster will prepare corrected reports. The motion passed unanimously.

MANAGER'S REPORTS

Manager Tooker presented the Manager's Reports. Of particular note was the number of overtime hours in May, 2011 that were attributed to flood preparation and the Springbrook software migration.

STAFF REPORTS

2011 Flood Preparation Actions – Assistant Manager Reinertsen presented a Staff Report (7/7/11 File, 2011 Staff Reports) summarizing the specific property and planning actions taken to prepare for the projected flooding in late May and early June, 2011. Multiple agencies provided assistance to the District. Direct and indirect costs for the preparation were at a total estimated cost of \$55,872.00. Damage to District property was avoided despite the 34,000 cfs maximum flow in the Colorado River. Staff also gained valuable knowledge for future flood hazard preparations.

Colorado River Cooperative Agreement and Water Quality Meeting – Manager Tooker reported that he, Assistant Manager Reinertsen and Board Chairman Bob Burger attended meetings on June 22, 2011 regarding the Colorado River Cooperative Agreement and Colorado River Water Quality issues. The District is not a signator on the Agreement. Manager Tooker believes the District may need to provide comments on the negative effects of reduced water flows on water treatment requirements.

Front Office Security – Assistant Manager Reinertsen provided a Staff Report (7/7/11 File, 2011 Staff Reports) updating the estimated costs to install structural security upgrades to the Front Office customer service work stations and the lobby. The temporary solution to obtain a lobby security guard for the weekly Discontinuation of Service days has been at a cost of \$1,650.00 for the six weeks of service to date. Staff recommended proceeding with the installation of bullet resistant glass windows for the customer service work stations. The installation offers the additional benefit of balancing the heating and cooling system in the lobby.

Customer Refunds - Assistant Manager Reinertsen presented a Staff Report (7/7/11 File, 2011 Staff Reports) summarizing large refund amounts for two customers that were recently identified as having been overbilled for the past four years because a 1” head was installed on a ¾” meter. He also discussed proactive measures being taken to identify and correct other similar situations.

EXPRESS AGENDA

Director Hassler moved to approve the Express Agenda items as presented. Director Genova seconded and the motion passed unanimously. The approved items are as follows:

1. Annual Water Quality Report – The District’s 2010 Annual Water Quality Report was mailed to all District customers on June 29, 2011. Consecutive systems were either hand delivered copies or mailed copies, depending on the size of the system. Consecutive systems are those such as Hidden Valley Water Company and Midland Village. A copy of the Report is included in the Board packet.
2. Project 2009-04 Colorado River Intake Structure – The electrical subcontractor has continued electrical component installation in the new control building during the project “on-hold” status during the Colorado River flood observations in June. The temporary flood control berms have been removed and the Contractor is scheduled to remobilize the full crew the week of July 5th.

UNFINISHED BUSINESS

New Construction Recapture Agreement Policy – Manager Tooker reported that a Policy Committee meeting was held on June 22, 2011 with Chairman Burger and Assistant Manager Reinertsen in attendance. Policy #310 – New Construction (7/7/11 File) with the Committee's proposed revisions regarding Cost Recapture Agreements was presented to the Board for review. Of important note was that a Cost Recapture share amount includes a maximum amount and would not be increased if the Plant Investment Fees increase during the duration of the Agreement. Action on this agenda item will be scheduled on the August 4, 2011 Meeting.

Hidden Valley Water Company – Manager Tooker presented a Power Point summary of the condition of the Hidden Valley Water Company, and Staff Reports itemizing the System Evaluation and the Return on Investment (7/7/11 File, 2011 Staff Reports). Staff calculated the estimated cost to upgrade the existing system to District standards at \$125,000.00. The expenditures would be 1) replacement of all service connections; 2) remove existing storage tanks and pump station in conjunction with relocating District 100,000 gallon storage tank; and 3) infrastructure improvements including a new connection under Highway 50. These costs are not a currently planned capital project but Staff consider them to be feasible within the goal to address District infrastructure issues within that geographic area. Staff recommends that the customers within the Hidden Valley Water Company continue to be charged their current water rates. The District's Return on Investment would be five – eight years, depending on the percentage of the rate being allocated solely to repayment. The Board stated the importance of protecting the interests of all District customers and directed Staff to obtain a legal opinion regarding the District's authority to acquire the Hidden Valley Water Company.

Project 2008-04 MF/UF Pilot Testing Program – Manager Tooker recommended that the District obtain a professional analysis of funding options for the construction of a building to house a Microfiltration/Ultrafiltration system based on Burns and McDonnell Engineering's proposal at the Board's June 2, 2011 Regular Meeting. He presented resume information from financial consultant Joe Drew, who has previously performed similar services for the Board. A simple cost analysis could be prepared for Board consideration at the August 4, 2011 Meeting. Director Genova moved to acquire the services of Joe Drew, at a cost of no more than \$2,000.00, to prepare an analysis of options to fund the projected costs of the MF/UF Project. Director Norman seconded and the motion passed unanimously.

NEW BUSINESS

2010 Audit – Manager Tooker distributed the draft 2010 Audit prepared by Mary Brenes, CPA, including the Management's Discussion and Analysis. Chairman Burger reported that Ms Brenes had contacted him with concerns that the Board had not been properly informed regarding the District's financial status and he distributed a spreadsheet, prepared by Ms Brenes, summarizing Accrual Basis and Budget Basis District Revenues, Expenses and Net Income/Loss from 2004 through 2010. Manager Tooker stated that his discussions with Ms Brenes concerned the clarification and reporting of, Depreciation Expense within the Management's Discussion

and Analysis that Staff prepares and is included in the Audit. Ms Brenes had taken exception to the manner in which Depreciation Expense was explained and stated her disapproval. Manager Tooker explained that the District does not budget for or include depreciation or replacement costs in the existing rate structure. Therefore, no revenue is collected for that specific purpose and as a result, when depreciation is reported in the Audit it has resulted in a Net Loss in FY 2008, 2009 and 2010. The Board discussed the District's rate structure and the relationship to depreciation expenses. Chairman Burger acknowledged that the financial statements are reviewed by the Board and that the Board has recognized the Net Loss throughout 2010. The Board also discussed, that this situation was one of the contributing factors of approving a Water Rate Increase that went into effect in February 2011 to offset the decreasing revenues affecting the District's net income. Ms Brenes will be scheduled to present the 2010 Audit and answer the Board's questions at a future meeting. The 2010 Audit will be submitted to the State Auditor's Office.

ADJOURNMENT

The July 7, 2011 Meeting was adjourned at 7:30 p.m.

ATTEST:

Robert Burger

Alan Hassler

Doralyn Genova

Dale Peck

Robert Norman