

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

MEETING PROCEEDINGS

June 19, 2007

A public meeting of the Regional Water System Joint Powers Board (JPB) was held Tuesday, June 19, 2007 at 11:00 AM, in the Joint Powers Board Conference Room, Regional Water Treatment Plant, 1500 SW Wyoming Boulevard, Casper, WY.

Board Members Present - Chairman Bertoglio, Secretary Peryam, Treasurer Bentley, Board Members Daubin, Fagan, Keffer and Schlager. Vice-Chairman King was absent

City of Casper - Bertoglio, Daubin, Fagan, Schlager, Philip Stuckert, David Hill, John Naquin, Janette Brown, Tim Rail

Natrona County – Peryam

Salt Creek Joint Powers Board –

Wardwell Water & Sewer District – Keffer

Pioneer Water & Sewer District – Bentley

Poison Spider Improvement & Service District -

Wyoming Water Development Office -

Sandy Lakes Estates -

Lakeview Improvement & Service District -

33 Mile Road Improvement & Service District –

Central Wyoming Regional Water System -

Central Wyoming Groundwater Guardian Team (CWGG) –

Others – Mary Keating-Scott – George K. Baum & Co., Keith Tyler & Randall Hall – B&H Development

The JPB meeting was called to order at 11:08 a.m.

1. In Announcements, Chairman Bertoglio stated that Vice-Chairman King was absent and Treasurer Bentley has his proxy.
2. Chairman Bertoglio asked for a motion to approve the minutes of the April 17, 2007 meeting. A motion was made by Board Member Daubin and seconded by

Secretary Peryam to approve the minutes of the April 17, 2007 meeting.
Motion put and carried.

3. Chairman Bertoglio asked for a motion to reaffirm the approval of the May 2007 vouchers. A motion was made by Board Member Fagan and seconded by Board Member Keffer to reaffirm the approval of the May 2007 vouchers to include voucher numbers 6549 through 6555 in the amount of \$1,175,935.70. Motion put and carried.

Mr. Hill asked the Board to reference the voucher listing handed out on this date. He stated that one additional voucher had been added to the list and offered to answer any questions the Board might have on the vouchers. Mr. Hill recommended approval of the June 2007 vouchers. Board Member Fagan asked if the landscaping was in the budget. Mr. Hill stated that the Board approved the whole landscaping project to be done in this budget at the February meeting. Chairman Bertoglio asked for a motion to approve the June 2007 vouchers. A motion was made by Board Member Fagan and seconded by Board Member Schlager to approve the June 2007 voucher list to include voucher numbers 6556 through 6560 in the amount of \$152,152.03. Motion put and carried.

4. Mr. Hill asked the Board to reference page 3 of the Financial Report. He stated that water sales were quite good through the month of May. Mr. Hill asked the Board to reference page 6, Cash Equivalents. He stated that these are the existing Fund Balances as per the existing reserves policy. He stated that these are not converted to what will be proposed later on in the meeting for the Reserve Policy. Chairman Bertoglio asked for a motion to approve the Financial Report. A motion was made by Board Member Schlager and seconded by Board Member Daubin to approve the May 2007 Financial Statement. Motion put and carried.
5. In the Operations update, Mr. Hill turned the time over to Mr. Naquin.

Mr. Naquin stated that currently June production is 254mgd. He stated that at the same time last year, production was 383mgd. Mr. Naquin stated that the six year average is 293mgd. He stated that the highest day so far was 21mgd. Mr. Naquin stated that the surface water plant started on May 16. Mr. Naquin stated that all the EPA sampling was completed before he went on vacation.

Mr. Naquin stated that the SCADA Phase I project has been completed. He stated that there are some small problems that are still being worked out.

Mr. Naquin stated that there will be an Entity Operator meeting on June 28th to discuss residuals and nitrification. He stated that the chloramine dosage has been lowered and so far there has not been any nitrification in the tanks. He stated that if needed, the residual will be increased.

Mr. Hill turned the time over to Mr. Rail to give the Distribution Report. Mr. Rail stated that his crews have been doing the normal hydrant servicing and painting. He stated that they also worked on two air vacs.

6. There was no Public Comment.

7. Old Business:

- a) Mr. Hill stated that the Upper Rock Creek Reservoir was formally purchased by the City of Casper on May 23rd. He stated that the main reason the Reservoir was purchased was due to the territorial and Pre-Pathfinder water rights which will be very important in the Spring. Mr. Hill stated that there was no call on the North Platte River this year, but it was very close to having a call placed. Mr. Hill stated that there are some upfront improvements that need to be done to the Reservoir. He also stated that there is a crew up at the Reservoir now clearing some brush.
- b) Mr. Hill stated that Phase I of the SCADA is completed and working successfully and there is a contract before the Board today for Phase II which covers the Water Treatment Plant and the Well fields. He stated that it is a two year project to replace the software. Mr. Hill stated that it is a \$300 Thousand project and is in the FY07 Budget. Chairman Bertoglio asked if the monies in the FY07 Budget need to be encumbered. Mr. Hill stated that this will need to be done. Board Member Fagan asked if the contract needs to be approved and if Automation Electronics did the first phase of the SCADA. Mr. Hill stated that this is correct. He stated that the project was not bid out because it is very difficult to do SCADA and A&E is very well respected and trusted and there is a very good relationship with them. Board Member Fagan asked if they did the original SCADA. Mr. Hill stated that the original SCADA was done by CH2M Hill. Mr. Naquin stated that at the time the original SCADA was done, CH was going through a very large turn over in programmers and it was difficult for the programmers to figure out what was done previously. He stated that part of the programming was in the computer and some of it was done in the PLC. Mr. Naquin stated that the new SCADA will be on the PLC, so if the computer died a new one could be installed without any problems. Mr. Hill stated that the software that is going to be implemented has been used out at the Waste Water Treatment Plant for the last ten years with upgrades and have had very good results. Chairman Bertoglio asked for a motion to approve the contract with Automation and Electronics for the SCADA Phase II Project. A motion was made by Secretary Peryam and seconded by Board Member Schlager to approve the Automation and Electronics SCADA Phase II contract. Motion put and carried.
- c) Chairman Bertoglio stated that this was discussed at the last Board meeting. He stated that since that time, he met with the Wardwell Board, Mr. Hill, Board Member Keffer and Mr. Ted Coyer of the WWDC to discuss the RWS involvement. Chairman Bertoglio stated that Wardwell is asking the RWS to pick up \$350 thousand of the local portion of the grant and then Wardwell would hand over the booster and tank to the RWS. He stated that Wardwell would have to go back to the WWDC as this was not part of the original scope. Chairman Bertoglio stated that the Board would have to have significantly more reserves set aside. This is becoming a policy of the WWDC when they give out grant monies. This means that \$1.4 Million would be required over a twenty year period.

Chairman Bertoglio stated that the RWS is in good shape. He stated that Wardwell would start the project and then turn it over to the RWS. He asked the Board to reference the letter in the agenda packet. Secretary Peryam asked where in the letter an amount is specified. Chairman Bertoglio stated that it did not specify an amount. Mr. Hill stated that the Board is being asked to provide approximately 35% of the local cost. The other local share will be provided through financing from the Town of Bar Nunn, the Wardwell Water & Sewer District, and two different Developers in the area. The RWS has been asked to supply approximately \$335 Thousand and was bumped up to \$350 Thousand to cover any contingencies. Mr. Hill stated that this project was approved by the Legislature two years ago and prices have increased substantially. He stated that by the time all figures are gathered together by the Engineers, Wardwell may have to go back to the WWDC to request supplemental funding. Secretary Peryam asked what the total cost of the project was. Mr. Hill stated that it is \$2.8 Million. Secretary Peryam stated that she had no problem supporting the project, but she would like something in writing requesting a specific amount for funding. Mr. Hill stated that Wardwell is requesting that they have the local funds in hand by July 15, 2007. He stated that government does not work that fast. Mr. Hill stated that a commitment could be made, but a funding agreement would have to be approved. He stated that he was not sure where the lawyers are in getting the agreement worked out. Chairman Bertoglio stated that he explained to the participant lawyers that they need to move as rapidly as possible. He stated that as far as the RWS is concerned, system investment charges have been collected and will be used for the project. Secretary Peryam stated that she would like to have the funding agreement first. Chairman Bertoglio stated that the funding agreement is forthcoming. He stated that no decisions could be made without the contract, but that he wanted the Board to be aware of the request. Chairman Bertoglio stated that the Board will wait for the agreement from Wardwell and once it is approved by Mr. Chapin the Board can have a short meeting to review the agreement. Mr. Hill stated that monies are in the FY08 Budget and this is as much of a commitment that the Board can give at the moment. Mr. Hill also stated that the letter from Wardwell to expand their system that was handed out has already been taken care of as the area is already in Wardwell's service area.

- d) Chairman Bertoglio asked if there was one or two Budget Amendments. Ms. Brown stated that there are two, one for the Operations and one for the Agency Budget. Mr. Hill stated that there were good water sales last summer, but a lot of chemicals and electricity were used to treat the water. Mr. Hill stated that under State Law, the Board cannot go over the budgeted amount for the fiscal year. He stated that the amendment is so the Board does not exceed the budget. He stated that the two amendments, one for the Operations Budget and one for the Agency Budget, are the same as last year. Mr. Hill recommended approval of the Budget Amendments. Board Member Fagan asked if it was the same \$150,000 in both budgets. Mr. Hill stated that this was so. A motion was made by Secretary Peryam and seconded by Board Member Daubin to

approve the FY07 Operations Budget Amendment in the amount of \$150,000. Motion put and carried.

A motion was made by Treasurer Bentley and seconded by Board Member Schlager to approve the FY07 Agency Budget Amendment in the amount of \$150,000. Motion put and carried.

- e) Mr. Hill stated that at the end of each budget year, the Board is required to sign encumbrances for projects that are under way but have not been completed and will not be completed before the end of the FY07 budget year. He stated that there are three projects: 1) SCADA Phase II \$300,000; 2) System Investment Charge Study being performed by Red Oak Consulting \$18,500; 3) Comtronix – An additional security camera for the WTP \$12,591. Treasurer Bentley stated that the last she knew the system investment study was to be completed in March. Mr. Hill stated that it was his fault that it was not completed. He stated that he had to provide a large amount of information and unfortunately did not have the time. He stated that there will be a tri-Board meeting with the RWS, CPU Advisory Board, and the Wastewater Management Over-site Committee. Mr. Hill stated that Red Oak Consulting will come up and do a presentation for the Boards. He stated that the final report is being prepared right now and the results are looking as if there will little to none increase in the system investment fees. Mr. Hill stated that the meeting will be around mid-July. Mr. Hill stated that there will be a good model that can be used in the future and can be legally defensible. A motion was made by Secretary Peryam and seconded by Board Member Daubin to approve the encumbrances for the SCADA Phase II in the amount of \$300,000, the System Investment Charge Study Update in the amount of \$18,500 and the Security Camera System Additions in the amount of \$12,591. Motion put and carried.
- f) Chairman Bertoglio stated that the Reserve Policy is in pretty good shape, but he found a few things that he felt needed cleaned up. He stated that the Debt Service needs to include both the Bonds and the State Loans. He stated that on the second page the State Requirements need to be added. Chairman Bertoglio stated that on Appendix A, the amount to transfer each month only includes the Bonds and there are problems when it comes time to pay both the State and the Bonds at the same time. He stated that at the present time the Board finances are in really good shape. Mr. Hill asked the Board if the Water Rights Fund and the Capital Improvement Fund, which is essentially the collection System Investment Charges for new construction, should they be part of the Minimum Required Reserves or should they stand on their own as Designated Reserves. Treasurer Bentley stated that they won't be used for anything else. Chairman Bertoglio stated that the Board needs to know what the minimum for Debt Service, which includes the State Loans so that transfers could be made each month. He also stated that the Capital Replacement has a minimum requirement by the State. Chairman Bertoglio stated that the Capital Replacement Reserves may want to be considered encumbered for the projects that are out there. He stated that the Capital Improvement is strictly system development money coming in. Chairman Bertoglio stated that the goal is to have \$1.1 Million in the bank for the Bonds and Loans.

Treasurer Bentley stated that she would like to have the accounts all broken out and separate. Chairman Bertoglio agreed with Treasurer Bentley and stated that the policy needs to state specifically what each of the funds could be used for or transferred to and be able to use it with the Rate Model. Board Member Daubin stated that the State required minimum balance needs to be broken out. Chairman Bertoglio stated that the Reserve Policy is not quite ready to be approved. He encouraged the Board Members to review it and get any comments to Mr. Hill or himself.

g) Mr. Hill stated that an outside consultant was hired by staff to work on the RWS Wholesale Water Rate Model. He stated that the consultant used what had been done previously by Mr. Garner and the City of Casper to develop the new rate model. Mr. Hill stated that he then made some changes to take into consideration the Reserve Policy. Mr. Hill asked the Board to reference the legal sized sheet in their packet. He stated that this is the cash flow model for the next 10 years. He also stated that some of the assumptions that were taken into account were that there would be good water sales years. Mr. Hill stated that in the past there were bad years of water sales which coincided with water restrictions. He stated that the other thing to keep in mind is that there is no longer an RWS employee, no longer have to purchase water, and there are higher interest earnings. He stated that with all this combined there is an additional \$300 Thousand that has not been seen in the past. Mr. Hill stated that the proposed rate for FY08 would be \$1.35, which is not a raise in the rate. He stated that he will reserve judgment for the following year, because water sales have a huge impact on the rate. Mr. Hill recommended that the Wholesale Water Rate stay at \$1.35 per thousand gallons for FY08. Mr. Hill asked the Board to reference the next page of the rate model where it shows the Capital Improvement Plan. He stated that this is always a moving target because projects change or go away. Mr. Hill showed the Board where the Zone IIIB project is in the rate model and the budget. Mr. Hill also referenced the Upper Rock Creek Reservoir improvements in the rate model and in the FY08 Budget. He stated that at the April meeting the Board talked about picking up the local share of costs for the upfront improvements to the Reservoir which include SCADA for the Reservoir. Mr. Hill stated that page 3 is the details of the different funds. Chairman Bertoglio asked what the RWS portion of the Split Rock project will be. Mr. Hill stated that it depends on how the State goes about getting the water to the plant. He stated that if a pipeline is built, it would be more expensive than dumping the water into the Sweetwater River and take it out of the North Platte. Mr. Hill stated that this is a long term project that might not pan out. Treasurer Bentley asked how the water from the Upper Rock Creek Reservoir gets to the plant. Mr. Hill stated that it is dumped into the Sweetwater and conveys through the North Platte. Board Member Daubin asked if there would be a conveyance savings for the Split Rock water if the water is in a pipeline. Mr. Hill stated that this was so. Treasurer Bentley asked if the Upper Rock Creek Reservoir was a done deal. Mr. Hill stated that this was so and that there is a five year period in which to finalize the conveyance loss through a study. Board Member Fagan asked why the interest earnings for

Capital Reserves was blank. Mr. Hill stated that it is up to the Board to decide if interest income should be broken out in each fund or leave it in the General Fund. Treasurer Bentley stated that she felt that the interest should go to the fund that generates it. Secretary Peryam stated that she agreed and asked how the interest earnings impact the model for each account. Mr. Hill stated that the model can be run with the interest in each account. Secretary Peryam stated that she would like each account to reflect the interest earned in the Rate Model. Mr. Hill stated that the changes can be made. Chairman Bertoglio asked if the \$60,000 that shows in the projections could be allocated to any of the funds after the end of the fiscal year. Mr. Hill stated that he believed this was so. Secretary Peryam asked about the status of the drought. Chairman Bertoglio stated that we are in the eighth year of drought and the last time this happened was in the 40's and the drought lasted ten years. Board Member Keffer stated that the State is still in a drought, but this year was better than last year. Chairman Bertoglio asked if a rate has to be approved today for FY08. Ms. Brown stated that this was so. Board Member Daubin asked what the current rate per thousand is. Mr. Hill stated that the current Wholesale Water Rate is \$1.35 per thousand gallons and recommended no change for the upcoming fiscal year. A motion was made by Board Member Daubin and seconded by Board Member Fagan to set the FY08 Wholesale Water Rate at \$1.35 per thousand gallons. Motion put and carried.

- h) Mr. Hill asked the Board to reference page 7h page 1 and 2. He stated that the Water Treatment Plant Operations Budget has to be approved by the RWS Board and by the Casper City Council. Mr. Hill stated that the only change from the April meeting is an increase to the personnel cost of living of 4% plus a \$500 bonus for all full time employees. Mr. Hill also stated that on page 2 the Utility costs are up and Chemicals are up by \$170 Thousand due to the cost of chemicals rising and the high water sales. A motion was made by Board Member Fagan and seconded by Board Member Schlager to approve the FY08 Water Treatment Plant Operations Budget as presented. Motion put and carried.
- i) Chairman Bertoglio stated that the Operations Budget is for all costs and personnel. Any outside costs are considered paid by the Agency Budget, including consulting, legal fees, and Capital Expenses. Mr. Hill stated that the Operations Budget is a reimbursable budget to the City of Casper. Mr. Hill stated that the Agency Budget is only approved by the RWS Board. Mr. Hill stated that the Water Revenues have not changed from April. Mr. Hill stated that there have been some second thoughts on the replacement on the Airport Booster Station and it may not happen. Mr. Hill stated that on page 2 there are no monies budgeted for employees as Mr. Garner retired and there are no other employees of the Board. Mr. Hill stated that if there were any questions to let him know. Mr. Hill stated that on page 3 the Debt Services and Interest Expenses are for the Principal and Interest payments on the Bonds and the State Loans. He also stated that the Reimbursable Expenses is the identical amount that was just approved by the Board in the Operations Budget. Mr. Hill stated that on page 4 Capital New - Improvements Other Than Buildings includes some security

renovations as well as \$350,000 for the Wardwell Zone IIIB project. Replacement – Buildings includes Elevator renovations and the Airport Booster design. Other than Buildings includes well pumps, sand pumps, demolition of Wardwell tanks, and \$66,000 for design costs associated with the Upper Rock Creek Reservoir Improvements. Mr. Hill stated that this is anticipated to be a \$900,000 project. This year is just the design and it is hoped that the State will approve a grant for 2/3 of the cost. He stated that there is no reason to believe that the Legislature would not approve the grant. Mr. Hill state that the net income is projected as \$264 Thousand if there is a decent water year. A motion was made by Treasurer Bentley and seconded by Board Member Daubin to approve the FY08 Agency Budget as presented. Motion put and carried.

j) There was no Other Old Business.

8. New Business:

- a) Chairman Bertoglio stated that the reply letter to the Insurance Company was pretty self explanatory. He stated that he looked through it and had no problem with it. A motion was made by Board Member Schlager and seconded by Board Member Keffer to approve the signing of the letter by Chairman Bertoglio. Motion put and carried.
- b) Chairman Bertoglio stated that Mary Keating-Scott was here to talk about Bond Refinancing. He stated that this would be a straight refinance. Ms. Keating-Scott stated that this is a straight refinance of the Bonds. She stated that it is very similar to refinancing a mortgage. She also stated that last week the interest rate was 4.77%. She stated that with the refinance the Bond payment will decrease by approximately \$52-55 Thousand a year. The total savings will be just over \$1 Million. She stated that the Present Value Savings (PVS) would be \$731 Thousand. Board Member Fagan asked if there were costs associated with the refinancing. Ms. Keating-Scott stated that there were. She stated that if the Bonds are insured they will have a higher rating. Treasurer Bentley asked what the Present Value Savings were. Ms. Keating-Scott stated that it brings everything into today's costs, what a dollar is worth today. She stated that it would cost approximately \$38 Thousand to fund into a straight policy again. Chairman Bertoglio asked how much would have to be paid if the Board did not use the Debt Service. Ms. Keating-Scott stated that it would be approximately \$2 Million, or 10% of the Bond amount. She also stated there will be the fee to George K. Baum, which is ½ of 1%. Treasurer Bentley asked if the Surety Policy was a one time fee or an annual fee. Ms. Keating-Scott stated that it was a one time fee and is 2.5% of the Debt Service requirement. She also stated that the Bond Insurance Premium is estimated at 35 basis points, or .035 of 1% of total principal interest. She stated that the cost of issuance is estimated at \$75 Thousand. Ms. Keating-Scott stated that the Bond issue would fund the escrow which would be in place until the Bonds are called on June 1, 2009 with a 1% premium. Secretary Peryam asked if the savings is net of all costs. Ms. Keating-Scott stated that it is net of all

costs. She stated that all the costs can be funded through the bonds. Chairman Bertoglio asked if the rates have decreased, flattened out or are they still rising. Ms. Keating-Scott stated that she thinks they might slow down, but can not say for sure. She stated that she would like the Board to know that George K. Baum is willing to take the risk of starting the documentation to refinance the bonds. She stated that there is a lot of information to gather and review. She asked the Board what threshold they would feel comfortable with. Secretary Peryam asked what the downside would be with refinancing the bonds. Ms. Keating-Scott stated that she didn't see a downside, but that it would help the Board to keep the Rate down because of the savings. Board Member Fagan asked if staff would have the time to gather all the information. Mr. Hill stated that it could be done. Chairman Bertoglio asked if there would be a new call date for the bonds. Ms. Keating-Scott stated that there will be a new call feature, which would be a 10-year call at par. She also stated that a refinance can only be done once before the call date in 2009. Chairman Bertoglio stated that there are a couple of things the Board needs to decide. First – Would the Board like to refinance; and Second – Does the Board want to set a threshold and if it exceeds the threshold cancel the refinancing. Ms. Keating-Scott recommended a 3% minimum Present Worth Savings or a \$1 Million savings PVS. Chairman Bertoglio stated that if the interest rate goes higher it might not be worth it. A motion was made by Board Member Fagan and seconded by Board Member Daubin to refinance the Revenue Bonds with a minimum gross debt service savings of \$1 Million or greater. Motion put and carried. Chairman Bertoglio asked Ms. Keating-Scott to keep the Board informed.

9. There was no Other New Business.
10. In the Chairman's Report, Chairman Bertoglio stated that the next meeting will be tentatively scheduled for July 17, 2007.

A motion was made by Board Member Keffer and seconded by Board Member Schlager to adjourn the meeting at 1:19 p.m. Motion put and carried.

Chairman

Secretary

Paul C. Bertoglio

Barbara Peryam