

**MINUTES OF THE MT. CRESTED BUTTE WATER AND SANITATION DISTRICT
WATER COMMITTEE AND THE MERIDIAN LAKE PARK CORPORATION WATER COMMITTEE
FEBRUARY 16, 2021**

Meeting of the Mt. Crested Butte Water and Sanitation District (MCBWS D) Water Committee & the Meridian Lake Park Corporation (MLPC) Water Committee was held at 2:00 pm on Tuesday, **February 16, 2021**, via Zoom at <https://zoom.us/my/mcbwsdboardmeeting>

Water Committee Members in attendance at the meeting were as follows:

Brian Brown, MCBWS D Chair, MLP resident	Robin Smith, MLPC Board Member, MLP resident
Nicholas Kempin, MCBWS D Treasurer, MCB resident	Perry Solheim, Finance/Admin Manager, non-District resident
Mike Fabbre, District Manager, MCB resident	Tracy Davenport, Admin Assistant, non-District resident

WATER COMMITTEE MEETING

1. Call to Order

- The meeting was called to order by Brown at 2:04 pm.

2. Revisit Imbalance

A. Discuss historical meeting minutes references in relation to 2001 capex charges added to “imbalance” calculation for dam repairs & Pristine Point water system

- Smith has reviewed the District’s historical meeting minutes; Brown is currently working through them.
- Pristine Point covenants section 4.13 say the Dam spillway and structural elements of the MLP Reservoir #1 shall be maintained as required by the Colorado Division of Water Resources by the association until such time as the dam and reservoir are conveyed to the District, thereafter, the District shall maintain the dam spillway and structural elements of the reservoir.
- Smith commented that MLPC should not pay for the MLP dam repairs due to the lack of any MLPC involvement in negotiations regarding transfer or repairs to the dam, Brown agrees that the 2001 dam repairs is not really part of MOA and cannot find any reference in the historical meeting minutes that there was intended cost sharing.
- MLP Dam charges of \$228,000 have now been removed from the imbalance calculation.
- Pristine Point \$99,720 capex less clear, Kempin would like more time to go through the District’s historical meeting minutes. This item has been tabled until the next MLPC water committee meeting.
- Smith respects and appreciates the District when they did include these costs to only include 19% of them, that was a good faith effort. Consensus is that cost sharing of reservoir repairs began with the MOA amendment from 2013.

B. Claim of MCBWS D’s current management’s unilateral decision to throw out 20 years of accounting

- Smith advised prior District Manager, Todd Fessenden, attended an annual MLPC meeting in 2016 saying that all the MLPC expenses had been paid and that there was a reserve, and that the District was going to continue collecting the surcharge to build the reserve for future cap ex.
- Discussion of how accounting for MLP was tracked in the past and that it did not follow the MOA(s). The process that the committees are going through now is with the intent to address the findings of Brown & Fabbre upon their joining the District. In previous accounting, all revenues (including user fees) from MLP properties were accounted for as payment toward the capex, with no amount designated to offset operating expenditures. The committees do not know why that decision was made as it both does not follow the 1997 MOA and is not a normal accounting approach.
- The Raffelis report is a good source of information as it was based on data that was used in creating audited financial results.
- Kempin proposed that at least some of the blame for the District’s past accounting practices falls on MLPC for lack of participation and questioning the District about accounting.
- Solheim commented that there was always someone from MLPC and someone from the District on the Board of Directors. Solheim further commented that Chuck McGinnis had proposed accounting changes to the District but that they were never adopted by the District. The original MOA does not clearly state how to deal with operating expenses. Solheim thinks it was intended for someone to track what it takes to operate that system, but no one ever set that up so that is why they applied the user fees to the imbalance. Solheim reiterated that this is not what the MOA intends.

C. Ownership of Dam

- The District owns the Dam. The First Amendment only refers to the reservoir. Neither the MOA nor the First Amendment contain the word “dam”. In any case, it is agreed that although neither agreement mentions the dam and only use the word “reservoir, it was likely intended to include the dam in the term “reservoir”..

- Smith agrees that MLPC agreed to pay 19% of the dam repairs in the amendment. With the increased storage capacity of the reservoir resulting from the last dam repairs, MLPC's shares are reduced to roughly 16.8%.

D. Stranded water rights/District's plans to connect to MLP system MCB

- The District has been looking at MLP reservoir (officially Meridian Lake Park Reservoir #1) as a part of one plan for water rights needed for the District's full build out. Storage capacity is important. The reservoir infrastructure has the potential to assist with the Long Lake (officially Meridian Lake) water rights project.
- Per Fabbre: The District does not plan to connect MLPC system to any properties outside of MLPC. The District may, in the future, seek to tie use of the reservoir to the Long Lake project, but that would entail only minimal use of any MLPC system assets. It would only involve raw, untreated water. It would potentially (but not necessarily) use the MLPC pumphouse, a pipeline up to Long Lake and then a pipeline from Long Lake all the way over to the Mt. Crested Butte (non-MLP) water treatment. It will not be connected to the MLPC water treatment plant. The MOA amendment in referring to capacity, is talking about drinking water not necessarily raw water.
- Smith commented the amendment references the Jaklich Ditch and the 36 ½ acre feet from the reservoir being reserved for MLPC as to the impetus for MLPC agreeing to pay 19% of dam repairs. Smith believes this reference addresses MLPC interests in raw water.
- Fabbre commented that the 2013 MOA Amendment references Exhibit __. There is no record of this exhibit. The amendment calls out a singular pump pipeline, but the pump pipeline starts in the pumpstation building. Smith said that the First Amendment also contains a reference to a description of the "MLP pump and pipeline" in the Final Decree in Case No. 95CW218, Water Division No. 4, entered on September 2, 1997.

3. Continued discussion of depreciated asset value calculation and other data with potential to reduce imbalance


A. Lifespan vs Depreciation schedule & disparities

- Brown stated that the MOA very clearly states exchange value should be calculated off the lifespan of the item not the depreciation.
- Solheim commented that there are industry standards of lifespan. When an asset is booked into an accounting system, an estimate is made about the expected useful life of the asset. Standard practice is to stay consistent with industry standards and not change the useful life of similar assets.
- The assets listed on the imbalance calculation are audited numbers.
- Solheim can get useful life information from professional utility groups.
- Solheim commented that in standard accounting practice, valuation of an asset when booking the asset initially is to use fair market value (usually determined by the price paid for the asset, or by combining price paid with any the value of any assets given up or liabilities assumed). If fair market value cannot be easily determined, sometimes replacement cost is used. In either case, once the initial value is estimated, a new useful life is estimated and depreciation is then applied. Depreciation (in accounting) is only a method for allocating the initial cost (value) of an asset over its useful life. It is NOT intended to estimate market value at interim periods. The MOA Amendment (2013) dictates a methodology for determining a fair value for use in this specific situation. That method does not necessarily follow generally accepted accounting principles (GAAP).

Next meeting is scheduled for Tuesday, 3/2/21 at 2:00 pm.

4. Adjourn

MOTION by Brown to adjourn the meeting at 4:07 pm.



Drafted by: Tracy Davenport



Submitted by: Perry Solheim