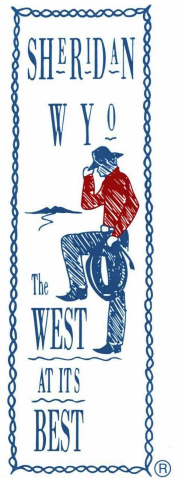




Sheridan Area Water Supply Joint Powers Board

MEETING MINUTES

March 8, 2006



A meeting of the Sheridan Area Water Supply -Joint Powers Board (SAWS-JPB) was called to order at the Sheridan County Commissioners' Board Room at the Sheridan County Courthouse at 5:00 pm. Chairman Ky Dixon presided. A quorum of Board Members was present, including: Secretary Kathy Kennedy, Terry Cram, Larry Durante, David Kinskey and Marc Ketcham. Others present included: Administrator Jay Stender, Mike Cole (City of Sheridan), Dayton Alsaker (HKM), Virgil Kinnaird (SAWS Counsel) and the media.

I CALL TO ORDER

Chairman Ky Dixon called the meeting to order at 5:00 pm. The meeting was recorded for transcription purposes.

II REVIEW AND APPROVE MEETING MINUTES

Motion to Approve February 15, 2006 meetings as written.

Motion was made by: K. Kennedy

Motion was seconded by: M. Ketcham

Vote 6-0 for approval

Discussion: N/A.

III APPROVAL OF AGENDA:

Motion by K. Kennedy to approve agenda with two additions noted.

Second by D. Kinskey

Vote 6-0 for approval with additions.

Discussion: **Changes to Agenda**

Administrator's report added under section IV Treasurer's report. D Kinskey indicated that a discussion about "water use" permit review and approval for development needs to be added to the agenda for board discussion in Section IV as well.

IV - TREASURER'S REPORT

Motion to accept Treasurer's Report including account balances and balance sheet.

Motion was made by: L. Durante

Motion was seconded by: K. Kennedy

Vote: 6-0 for approval

Treasurer's Discussion:

Some values reported under the Wy-Star Accounts summary are not current as of March 8 due to WY-Star Reporting. The values were obtained from the internet, when posted, and had not been updated by WY-Star for the meeting documents. Wy-Star is a savings account that is treated separately from the other accounts.

Regarding the draft balance sheet provided to the board, D. Kinskey asked about a liability due to the City of Sheridan of \$2,469,514.87. Dooley and Jelly, our auditors, explained that the account is the Water Supply fund which is owned jointly by the City and SAWS two thirds and one third respectively. Since the account is in SAWS-JPB name, SAWS owes the given amount (2/3) to the City of Sheridan. The Water Supply fund account contains \$3,778,642.29 as documented in the treasurer's report, remains untouched and can be used only for water supply acquisition. The necessary amount is being held by SAWS for the City. This issue is also addressed in item 20 of the audit report.

Motion to approve bills identified in report for payment as submitted.

Motion made by D. Kinskey

Motion seconded by K. Kennedy

Vote 6-0 for approval.

Administrator's Report and Discussion:

Operating check #2739 to HUB BHI Insurance is for bond insurance for 2006-2009.

The availability of liens on properties that have not made payments was discussed at last meeting (Feb 2006). To secure liens, requirements include verification that the landowner was one of the original tap locations and validation that a commitment was secured. The liens can be applied, to the current property, if this documentation can be provided. J. Stender indicated that some deeds do not have such a contract. It may not be a deed record issue because the tap commitment may not carry through when the property changing hands. K. Kennedy suggested pursuing inquiry into original tap information such as landowners and location to determine the payment commitment when property changes hands. The commitment should be clear to the new owner upon acquiring the deed. It was recognized that the work required to resolve this may be substantial. J. Stender will begin looking for original tap commitments.

K. Dixon brought up the related issue of City annexation of property that is under SAWS jurisdiction. The Bylaws state that in such circumstances the tap is a negotiated aspect of the annexation.

Perhaps there is a magic list of original tap holders to facilitate this process? D. Kinskey recognized that the work load currently in place for the administrator may demand that a report on this issue be delayed. Report may not be available next meeting but should be in future.

V. Kinnard discussed original tap information from 1989. For the 1180 taps issued in 1989 there were very specific requirements for the landowner to bind the property. There was a notice of tap permits. There will be a series of research projects to collect the information pertaining to this issue.

SRF Funding: will be discussed under old business

Two new taps were issued in February. They were at 45 River Rock Rd and 62 River Rock Rd. Indian Paintbrush Subdivision and Bridger Point Subdivision have come in as permits to construct.

The 20" line bid opening scheduled for March 21, 2006 at 1:30pm at the City Council Chambers. HKM will review bids and Board should have a meeting to discuss review of bids.

SAWS Permitting Discussion:

D. Kinskey had questions about SAWS water use permit procedures. J. Stender explained that there are three events. First, a plan (development or subdivision) is brought in to SAWS and the first evaluation is to see if the plan falls within its service area boundary. Then, preliminary plat and necessary design items are needed to conduct a hydrologic demand report. This information is provided by the developer and consulting engineers. Plans and Specs and demand report are provided, for modeling, to the City Utilities Department and Mike Cole PE provides an evaluation of the P/S and comments on the demand report. Any considerations, noted by the evaluations must be reconciled in order for SAWS to support a permit to construct (This report is to the DEQ). Upon completion of construction, as build drawings, and line testing the COS accepts the as built system. The COS has to accept the system performance due to the liability associated with the operator's license. SAWS issues a water use agreement which protects both SAWS and the developer. This agreement **is a board action** and dictates location and appropriate use; for example, the water will not be used for irrigation.

K. Kennedy questioned whether unused taps are considered in the water availability models. Mike Cole fielded the question. The model handles certain scenarios to analyze capacity; however, the information on water use agreements is incomplete. According to Mike Cole, the water supply would be over appropriated if all taps came online right now because 20" line is not in place. However, the risk is reasonable because it is not going to happen. Dave Kinskey suggested that in 2001, SAWS used water from the City of Sheridan due to draught conditions.

L. Durante expressed concern over the Board's approval position in the permitting procedure. Amendments to the procedure were proposed suggesting that the Board be informed and active at an earlier stage of the procedure. The Board must be able to consider demand concerns in drought years, length of commitments, and DEQ concerns. It was also brought up that the Board must have the information from Mike Cole's report before it will be able to make any informed decision. An amended procedure will be drafted and brought to the next meeting.

V – COMMENTS FROM PUBLIC:

Chairman K. Dixon recognized Doug Harbel for comments related to his service. Mr. Harbel paid for a tap on May 29, 2002. He subsequently asked for the tap to be shut off in November of 2002. It was not shut off and he continued to receive a bill for its use. He then decided to not pay it. Mr. Harbel believes that the tap is his, and he should be able to ask for it to be shut off and pay the hook up fee when he desires the use. Mr. Yates made an agreement with Mr. Harbel to dismiss half of a passed due bill if Mr. Harbel would pay the other half. The water was finally shut off but he continued to receive a bill. This issue has continued for 4 years. Mr. Harbel expressed dissatisfaction

with the board action. The water service was shut off in February of 2005. K. Dixon mentioned that there is a discrepancy in the documentation the Board has and what Mr. Harbel is suggesting.

Tap removal would not satisfy Mr. Harbel as he contends it is his property; however, the meter could be removed. K. Dixon made clear that having a tap requires a minimum payment whether being used or not. J. Stender informed those present that tap removal requires Board action. K. Kennedy requested more information regarding a timeline before taking action. It will be made clear for further tap issuances that the monthly charge reserves space on the pipe line regardless of its being used.

Mr. Harbel provided some documentation. J. Stender will review and make a recommendation.

VI - OLD BUSINESS

- A. 20" Water Line Pre-bid Meeting
- B. SRF Funding

A. 20" Water line Pre-bid Meeting was held March 7. Plan holder list attached to notes. J. Stender commended HKM on a good presentation. Now await bid arrival. The meeting was mandatory. Approximately 12 general contractors were interested.

B. State Revolving Fund resolution of 5/18/2005 demanded \$2.69 million be placed in SRF account for the 20" line. This comes from different accounts. The accounts utilized were outlined. The money will be placed in the fund to start generating interest for the project. The Board can decide to put more money in to accrue more interest but must meet the minimum. Now receiving bids for better interest rates. Wy-Star is the current leader. Proposals from First Interstate and Sheridan State are anticipated.

Motion to seek proposals from the local banking institutions by Friday March 10, 2006 at 5:00pm.

Motion by Dave Kinskey

Second by K. Kennedy

Approval 6-0

Discussion:

The board directed Chairman Dixon and Sec K. Kennedy to review the bids and direct the administrator to execute the best option for return on the money. Stender indicated that SAWS-JPB would have bids and options to review and will execute the transaction.

VII New Business:

Auditor's report:

On Note 6 of the Financial Statements, the Depreciation Reserve is not shared by the City. The Water Supply fund is shared by COS and SAWS-JPB. Further clarifications related to comments and corrections were made by the auditors. The Forest service insurance letter, as covered by WGLP will be clarified by Dooley and Jelly before sending to the State. Coverage is offered and meets the USFS requirements. This is a change in correction 2005-2 on the auditors report.

Motion to approve financial statements and audit report from Dooley and Jelly with clarifications noted at this meeting.

Motion made by: K. Kennedy

Seconded by M. Ketcham

Vote 6-0 for approval

J. Stender presented an account of steps that have been taken to address the 22 recommendations of the auditors. Further clarifications were made by the auditors. There were issues bringing numbers up to date with those of the past auditors. This is shown in recommendation #2. A \$60,137.09 discrepancy from June 2004 is recognized and a plan to identify is going to be conducted by Rucki and Marshall. Upon first review, this value appears (not confirmed) to be a market reduction of securities and thus marked as a loss.

Motion to approve the management representation letter required for Dooley and Jelly.

Motion made by: K. Kennedy

Seconded by: M. Ketcham

Vote: 6-0 for approval

D. Kinskey left at this point

There was further discussion of the recommendations. J. Stender addressed the Twin Lakes ownership issue and the Depreciation account which exists but is not well funded. He recommended adding \$200,000 semiannually from operating cash. This must be approved as adequate by the Wyoming Water Development Commission. Stender further recommended keeping Rucki and Marshall, until the end of the fiscal year to take care of accounting recommendations for tie up quarterly balance books and establishing the capital and enterprise accounts. Board does not want to do this same process every year, but will need to do so to facilitate the current process. K. Dixon asked J. Stender to put the depreciation account on next meeting's agenda.

It was clarified that the audit is qualified given the adjustments made by the auditors. The response letter provided by J. Stender was accepted by the auditors. K. Dixon praised the audit report and gave thanks to the auditor's for their time.

VIII – Executive Session – N/A

IX – Adjournment

APPROVED BY: _____

ATTESTED BY: _____