

# RECORD OF PROCEEDINGS

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**UPPER YAMPA WATER CONSERVANCY DISTRICT  
BOARD OF DIRECTORS EXECUTIVE COMMITTEE MEETING  
NOVEMBER 9 2016, 9:00 AM  
3310 CLEAR WATER TRAIL, STEAMBOAT SPRINGS**

**MINUTES**

Chairman John Redmond called the meeting to order. In addition to Chairman Redmond, Executive Committee members present were Doug Monger, Ken Brenner and Webster Jones. General Manager Kevin McBride, District Engineer Andy Rossi, Office Manager Karina Craig, and General Counsel Bob Weiss were also present. Accounting Consultant Randy Watkins of Anton Collins Mitchell was also present.

The following agenda was proposed:

**AGENDA**

- (1) Call to Order;
- (2) Approval of Meeting Agenda;
- (3) 2017 Budget;
- (4) Water Pricing and Contracts;
- (5) Executive Session with Bob Weiss, legal counsel, under CRS § 24-6-402(4)(b) to receive advice on contract language. Mere presence or participation of an attorney at an executive session of the local politic body is not sufficient to satisfy the requirements of this subsection (4).
- (6) Adjournment.

***Meeting Agenda*** Director Monger moved to approve of the agenda. Director Jones seconded the motion which was unanimously approved.

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### *2017 Budget*

#### *Old Budget Format, Transition, and New Budget Format*

Manager McBride summarized the topics to be discussed at the meeting and introduced Consultant Randy Watkins. Mr. Watkins framed the budget discussion and recent work of District Staff and himself. An old budget existed which followed a natural classification; a new budget format was developed to better communicate costs allocated to facilities, with a focus on facilities or functions.

Office Manager Karina Craig referred to three documents she presented for review and discussion, all including data from the approved 2016 budget, the discussion focusing on budget format.

The old budget format showed the facilities' direct costs in multiple lines. The new budget format had been developed with a focus on function for management, and it identified departments.

Ms. Craig started by presenting and briefly overviewing the structure of the old budget format. She then presented a transition table displaying the alignment of expense accounts of the old and new budget formats.

Most accounts were transferred whole and then grouped and reorganized according to functions, or departments. The accounts of Payroll and Benefits were allocated to each department, including each facility, based on a time study that District Staff carried out in the twelve months of the year 2015.

Ms. Craig presented a summary of the 2015 time study. It included percentage of time spent by each position, for each department, from January 1<sup>st</sup> to December 31<sup>st</sup> of 2015. The year was an average one and it was expected that the distribution of efforts by staff to each department would remain stable in the foreseeable future. A distribution of financial effort, encompassing all employees and salaries, was also provided for each department.

In the new budget format, payroll for each employee was allocated to each of the department according to the 2015 time study data. Ms. Craig explained, time spent by each employee for each facility was therefore directly allocated to it.

The District's Insurance expense included General Liability, vehicle liability, and some property liability for Stagecoach Power Equipment. The allocation of insurance costs was blended: Direct costs were allocated first. Direct costs attributable to Stagecoach were distributed to that facility; the remaining cost of insurance was distributed among the District's departments following the financial effort in to the 2015 time study.

Outside of insurance, all other costs attributed to facilities were direct costs.

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Specific questions referring to the old budget, the bridging from the old to the new, and the new budget structure, were asked by Directors, answered by staff, and discussed.

Director Monger noted that in future years Directors ought to give staff direction pertaining the District's long term strategic plan, to be incorporated in the budgeting process.

There was general agreement regarding the new budget structure presented.

Director Monger requested staff to bring Departmental Budgets, or tabs, supporting and further detailing the presented new budget structure.

Director Jones requested the previous year be incorporated in the budget format, for reference and inter-year comparison, as it was in the previous format.

Director Redmond requested the new budget format, with departments as units, be incorporated in the budget comparison report for the full board to review.

### 2017 Budget

Manager McBride presented the 2017 budget, in the new budget format, including departments. It was reviewed and discussed. The budget did not differ significantly with the prior year budget. Adjustments included an expected decrease in Legal Expenditures, in Water Resources Engineering, an increase in consulting fees for Public Outreach, and salary adjustments including potential CPI and performance adjustments. Other payroll adjustments reflected the retirement of the previous Dam Operator, and the hiring of a new one. The District would no longer have a Dam Operator and an Assistant Dam Operator, but rather two Dam Operators. No FTEs were added to the budget.

Directors requested Manger McBride to provide a reminder of where each employee was at within their salary ranges, at the upcoming full Board meeting.

### *Water Pricing and Contracts*

Consultant Randy Watkins presented a memorandum describing a proposed water pricing process; it was reviewed and discussed. He also addressed sample contracts, discussing pricing language and his accounting interpretation, for Stagecoach, Yamcolo and Five Pine Mesa Ditch contracts.

Mr. Watkins noted some of the contracts referred to pricing based on past, actual costs, while others referred to future, budgeted costs. He also spoke of generational equity and accounting principles to better recognize expenditures, of building reserves, and of not creating a burden to future generations, when possible. He clarified that as he worked with staff, the goal was to have a pricing structure by mid January 2017, in anticipation of price negotiations and contractual deadlines that year.

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He presented and proceeded to explain a Cost Analysis for each facility. It showed direct allocations to facilities as budgeted, and additionally a proposed distribution of indirect costs for the Departments of Administration, Board of Directors, External Affairs and Finance. The indirect costs were allocated having deducted payroll and insurance costs. Grants and Scholarships, Public Information, Planning, and Treasurer's fees, were not allocated to facilities and were directed to the General Fund. The legal department included direct costs for facilities, and an indirect allocation of legal fees limited to General Matters by the District's General Counsel. All other legal expenses were allocated to the General Fund.

Mr. Watkins explained the proposed indirect cost allocation, for those accounts that were allocated indirectly for the purpose of pricing, followed the overall staff cost allocation based on the time study of 2015.

Mr. Watkins proceeded to review a pricing structure, and presented Yamcolo Reservoir as an example for a specific District facility. The pricing structure included the building of a reserve over 50 years, to fund expected capital improvements at the Yamcolo Dam. The Yamcolo outletworks capital improvement cost was based project figures quoted in 2010, and adjusted by the averaged historical CPI with a lookback period of 50 years, 4.11%. The pricing structure also included a discount rate, and for the purpose of this example, based on debt instrument the District canceled in 2015, 4.5%.

Different methods of capturing costs were discussed in the frame of pricing structure, including forward looking for expected capital improvements, and recuperating cost retroactively through depreciation.

Mr. Watkins stated the benefit of building a reserve is that pricing would be evenly distributed over the years, while in the opposite scenarios, contractees would experience a resulting high assessment the year the needed capital improvement project was implemented.

Depreciation of the current facilities was discussed. Ms. Craig stated Yamcolo reservoir has had about \$8,500 in depreciation in past recent years.

Legal expenditures were discussed. Mr. McBride described 2016 legal expenditures, direct and indirect – pertaining General Matters, that were experienced in 2016 and were used as a basis for the pricing structure that was being reviewed.

Contract language was discussed. Counsel Weiss discussed different contracts, some of which are retroactive, while others are prospective. Administrative costs were discussed as well; Mr. Watkins spoke of accounting literature supporting the understanding that Administrative Costs include rent, office, and other administration costs.

There was general agreement among Directors about the indirect cost allocation as it was presented, and that they ought to be brought before the full board at the next regularly scheduled Board meeting.

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*Determination of future meetings* The scheduled date for the next Board meeting was confirmed, being Wednesday November 16 2016 at 1:30 PM, at the District's office.

The meeting was adjourned at 12:00 PM.

I certify that the foregoing constitutes a true and correct summary of the proceedings at the above referenced meeting.



Kevin McBride, District Secretary/Manager