BOARD OF UTILITIES COMMISSIONERS – May 16, 2023

Subject to approval at the June 20, 2023 Utilities Board Meeting

CITY OF LA JUNTA)
COUNTY OF OTERO) SS
STATE OF COLORADO)

A Regular Meeting of the Board of Utilities Commissioners of the City of La Junta, Colorado, was called to order by Chairman Frank McKenzie on Tuesday, May 16, 2023, at 4:00 p.m. in the Council Chambers of the Municipal Building.

Roll was called and the following Board Members were present:

Present: Joe Ayala, Mayor – arrived at 4:10 p.m.
Mike Bourget, Commissioner
Gary Cranson, Vice-Chairman
Frank McKenzie, Chairman

Absent: Paul Velasquez, Council Member

Also present: Rick Klein, City Manager
Bill Jackson, Asst. City Manager
Melanie Scofield, City Clerk
Paula Mahoney, Admin. Asst.
Tom Seaba, Director of Water & Wastewater
Aliza Libby, Director of Finance
Edward Vela, City Council
Elaine McIntyre, City Council
Damon Ramirez, City Council
Andrew Froese, Hancock Froese & Co.
Patrick Hancock, Hancock Froese & Co.
Betty McFarren, RF Gazette

MINUTES OF PREVIOUS MEETING
Chairman McKenzie asked if there were any corrections or additions to the minutes of the Regular Meeting of April 11, 2023. Hearing none, the chairman declared the April 11, 2023 minutes approved as published.

CITIZEN PARTICPATION
1. There was no citizen participation.

REPORTS
A. ARPA Board. Gary Cranson gave the following report:

1. **Summary of March 2023 Financial and Operating Statements:** During the month of March, revenue from power sales was better than budget by $2,597 (0.1%) and total revenue was better than budget by $23,806. Total cost of goods sold was under budget (3.8%). Purchased power costs were under budget by $38,522 (4.4%). Transmission expenses were under budget by $24,496. Net Revenue from Operations for the month was $404,550.
2. **Year to Date Income Statement:** Revenue from power sales was less than budget by $17,719 (0.3%). Total revenues were better than budget by $33,036 YTD. Interest income was $50,687 better than budget with rising interest rates. Total cost of goods sold was less than budget by $116,511 (2.6%). Purchased power costs YTD were under budget by $29,205 (1.1%). Transmission expenses were under budget by $111,119. Total A & G expenses are under budget by $41,269 (2.5%). YTD Net Revenue is $702,952. Debt Service Coverage YTD is 1.24X.

3. **Operating Report:** Member Energy sales for March was 1.8% greater than budget and slightly less than 2022. Member Energy Sales YTD was 0.65% greater than budget and 0.8% better than 2022. All in cost of power to members YTD is $0.0990 per kWh; 1.7% lower than 2020.

   MAYOR AYALA JOINED THE MEETING

6. **Next Meeting –**May 25, 2023 at Otero College in La Junta.

B. Water & Wastewater Treatment. Tom Seaba gave the following report:

1. R.O. Plant
   - #12 well production rates exceptionally lower again less than one year after iron treatments. Contractor contacted to perform inspection/analysis.
   - Inspected/repaired/replaced bearings on wells #11, #12 and #13.
   - Semi-annual inspection by Cummins for back-up generators.
   - Assist with south booster project.
   - Meter Reading, building maintenance.

2. Distribution
   - Completed main bypass at 3rd and Adams Avenue.
   - Located all mains and services east of Adams Avenue for Black Hills gas main project.
   - Assisted a company boring in new lines at Highway 50 and Conley Road.
   - Repair main break on North Highway 109.
   - Water installation for bathrooms at 10th and Barnes Avenue complete.
   - Meter reading and utility billing office generated work orders.

3. Financials (Water Fund)
   - April water revenues were $830,100. The budget for April was $193,200. Revenues were $636,900 above the monthly budget. This is the ARP grant for the south booster station. Compared to 2022, revenues showed a $20,300 decrease (not including grant income). Year-to-date revenue is at 31%. Budget shows we should be at 27%. The city billed 27,125,000 gallons of water compared to 23,867,000 in 2022.
   - Total expenses were $737,700 ($356,500 without the grant expenses) with a monthly budget of $339,200. Expenses were $17,300 more than the budgeted amount for April. The R.O. Plant produced to the distribution system 49,334,623 gallons of finished water. Discharge to the plant was 13,219 million gallons.
   - Compared to 2022, assets decreased $166,500 and liabilities decreased $14,600. Net change in fund balance is ($208,963) for year-to-date 2023.

4. Wastewater
   - Treated 27.397 million gallons. Removed 40.0 ft^3 of screenings and 35.0 ft^3 of grit.
   - RO concentrate discharge to plant was 13.219 million gallons.
   - Jetted 8,809 feet of line for emergency calls and monthly areas of concern. Nine emergency calls and eighty-eight manhole locate requests.
   - Heater fan in headworks building repair completed.
   - #2 motor on orbal basin pulled for repairs and replaced with spare stored onsite.
   - UV disinfection system cleaned and maintained.
   - Industrial pretreatment inspections for April complete and liquid waste hauler permits issued.
   - Additional plant, collection system, grounds maintenance and treatment process lab testing conducted.

5. Financials (Waste Water Fund)
    - April sales were $203,500. This was $3,800 more than the April anticipated budget of $199,700. However, compared to 2022 sales were down $4,700. Year-to-date revenue is at 22%. Budget shows we should be at 22%. Revenues are as anticipated YTD.
    - Total expenses for April were $299,300. This was $40,200 more than the anticipated budget of $259,100. However, treatment was well over budget due to sludge disposal as well as loan retirement. Year-to-date expenses was $48,500 less than budgeted and $141,500 more than 2022. Expenses are at 35%. Budget shows we should be at 36%.
    - Compared to 2022, assets decreased $493,100 and liabilities decreased $52,300. Net change in fund balance is ($440,851) for year-to-date 2023.

6. Other Notables:
    - Level 1 water restrictions began on May 1st and continue until October 15th. A 20-day exemption may be requested by calling the water department at 384-7358 for new grass, sod, etc.
    - Substantial completion was met on the new south water booster. The system is now in operation. Some fine tuning of the SCADA system remains. Demolition of the interior of the old booster station will begin the week of May 8th. This building will be used for storage.
    - Continued work on a SRF funding package with CDMSmith.
    - Four employees attended Colorado Rural Water Conference. Katelin Reed was awarded Rookie Operator of the Year for 2022.
    - Two employees attended the Arkansas River Basin Water Forum.

DISCUSSION: There hasn't been any water run yet on the Sternjolm Farm at Holbrook. Today, there is seed being broadcast and is being watered. Last year 50-75 acres was broadcast with seed. Most of that seed stuck. Trying to extend acres but won't be able to do the entire property until a booster pump is installed. We are currently using regular irrigation pipe and tubes. NRCS conducted soil testing and fine tuned the seed blend based on the soil reports. We were supposed to find out today, how much water the ditch will be getting. They opened it up for native flows when the river started to run high. For anything outside of flood irrigation at the moment, it comes down to budgetary hindrance expenses.

C. Electric Department. Bill Jackson gave the following report:

1. Line Crew
    - Daily reads, disconnects and maintenance.
    - A 1500 kVA transformer failed at Lewis Bolt. The A Phase side of the transformer melted the terminations, so we had to move everything to the B Phase side. We also had a four-way junction fail that was replaced.
    - A CT rack was damaged on a power pole at Carl's Jr. from the wind. We had to kill the service to replace the rack.
    - Four new lights were installed at the Brick & Tile park and we are working on adding four more.
    - The crew has been doing some troubleshooting on AB52-7. We isolated a single-phase line that has been causing interruptions.
    - We are still working on rerouting the LP52-4 and the LP52-3 circuits.
    - High wind caused a primary pole to blow down on East 16th Street. This resulted in over 1,700 customers without power.
    - The crews are alternating attending Hot Line School.

2. SOLAR Accounts
    - The total kWh returned to the system was 10,725, from 15 customers. A total of $590.14 was rebated at the avoided costs. There are currently 22 solar customers.

3. System Update
    - The wind and weather events continue to point out weak areas in the system that need to be repaired and replaced.

- We are experiencing eighteen months lead time on transformer orders.

4. Financials (Electric Fund)
   - Total revenue was $868,100. This is less than the March budget of $927,300 by $59,300. Compared to 2022 sales were down 0.11%. Kilowatt usage decreased 34,102 compared to 2022. Total kilowatts billed was 5,644,165. Year-to-date was $2,811,800 which was below the $2,826,700 budget by $140,900. This is a 1% decrease for the year-to-date.
   - Expenses were $987,100 for March. This is $41,400 more than the monthly budget. ARPA costs increased from last March. Expenses were decreased by 2.33% compared with 2022. Expenses exceeded revenues by $119,000 for March 2023. Year-to-date, revenues have exceeded expenses by $42,600.
   - ARPA: Energy increased 3.07% from 2022, however demand was down. Overall kWh was increased 3.04% from 2022. Avoided cost rate for 2022 was .02737/kWh while in 2023 it was .05490/kWh.
   - Compared to 2022, assets decreased $30,500 and liabilities increased $759,000. Net change in fund balance is $42,600 for year-to-date 2023.

DISCUSSION: There was discussion of the ARPA bill still being late in the month. It might still be better to have the Electric report a month behind to be able to match expenses to revenues. It was decided to give it another month of having the meeting on the 3rd Tuesday. If that doesn't work out, it can be moved back to the 2nd Tuesday of each month.

D. Sanitation. Rick Klein gave the following report in Martin Montoya's absence:

1. Financials (Sanitation Fund)
   - April revenues were $89,200. This was $10,000 above the estimated April budget of $79,200. Comparatively, it is a 1.8% increase from 2022. Year-to-date revenue is at 27%. Budget shows it should be at 32%. Recycling revenues have increased steadily since its inception. There were 245 accounts participating in curb side pick-up in April. In 202, only 228 residents participated. Total revenues were above the 2022 by $37,600.
   - Total sanitation expenses were $79,100. This is $42,200 above the April budget of $121,300. However, it is a 52% increase from 2022. Year-to-date expense is $99,800 less than budgeted and $9,700 less than 2022. Expenses are at 26%. Budget shows we should be at 34%. Net change in fund balance is $9,400 for year-to-date 2023.

NEW BUSINESS

A. Presentation of the 2022 Audit Report. Patrick Hancock and Andrew Froese with Hancock, Froese & Company went over the independent auditor's report and the government-wide financial statements. The ratio analysis worksheet shows the key financial rations for the General Fund, Electric Fund, Water Fund, Sewer Fund and Sanitation Fund. (Analysis worksheet is attached). Also attached is the Loan Covenant worksheet.

DISCUSSION: Chairman McKenzie asked City Manager Klein to present a recommendation to the Board for rate increases using the loan covenant sheet as a guide for the Water Fund and Sewer Fund. And for Sanitation, use the information that Martin Montoya had supplied.

It was also decided by the Mayor and Utility Board Chairman to cancel the work session scheduled for Thursday the 18th.

B. Recommendation to City Council for a change of legal counsel. This is in regards to water matters pertaining to Holbrook water and the Ark Valley Conduit. Chairman McKenzie explained that the Board was not particularly impressed with the last presentation from the attorney.

MOTION TO REQUEST COUNCIL REPLACE OR AUGMENT, WHICHEVER, THE PRESENT WATER ATTORNEY WITH SOMEONE WHO WILL AGGRESSIVELY PURSUE OUR INTEREST AND TRY TO RESPOND TO OUR CONCERNS: Cranson

City Manager Klein: That will have budget implications.

Vice-Chairman Cranson: It's going to have a lot more if we go down this path.

SECOND: Bourget

DISCUSSION:

City Manager Klein: Recommendation from Administration is not to replace her. It's a long-term relationship.

Vice-Chairman Cranson: That's why I said augment. Hire another one to just do conduit affairs if that's unacceptable.

VOTE: The motion carried unanimously

C. Utility Rate Increase. A recommendation from City Management will be brought to the Board at the June Utility Board meeting to be voted on.

D. City Manager's Comments.

1. There were no city manager comments.

E. Governing Body's Comments.

1. Vice-Chairman Cranson: Inquired if Administration, or the Board, had any objection to receiving reports from our accounting system. Would like to know why, if there are objections, what they are. I stop asking for things I don't get. I shouldn't have to explain why I want reports. It's figures to look at. So, does anyone have any objections, including the Chairman, to me asking for these things?

   Finance Director Libby thought she had sent the updated reports that were requested.

   Chairman McKenzie: I have no objection whatsoever.

   Vice-Chairman Cranson: If you could just make a procedure and run it at month end.

   Commissioner Bourget: So, is that okay Rick? If Gary goes directly to Aliza?

   City Manager Klein: Yes.

   Vice-Chairman Cranson: Secondarily, I'd like to have a review of how we're doing our solar billing. I'd like to sit down and see what's going on and make some suggestions. I have a sense we're a little bit confused.

   Finance Director Libby received information to correct what was being done. She is more than happy to meet with Gary and discuss these issues.

There being no further business, the meeting adjourned at 5:34 p.m.

ATTEST:	CITY OF LA JUNTA
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Melanie R. Scofield, City Clerk	Gary Cranson, Vice-Chairman