Subject to approval at the
July 18, 2023
Utilities Board Meeting

BOARD OF UTILITIES COMMISSIONERS – June 20, 2023

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, June 20, 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 Gary Cranson, Vice-Chairman Frank McKenzie, Chairman Paul Velasquez, Council Member
Absent:	Mike Bourget, Commissioner
Also present:	Bill Jackson, Asst. City Manager Phil Malouff Jr., City Attorney Debra Fraker, Admin. Asst. Paula Mahoney, Admin. Asst. Tom Seaba, Director of Water & Wastewater Martin Montoya, Director of Engineering Aliza Libby, Director of Finance Edward Vela, City Council Elaine McIntyre, City Council 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 May 16, 2023. Hearing none, the chairman declared the May 16, 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 April 2023 Financial and Operating Statements:** During the month of April, revenue from power sales was less than budget by $78,603 (3.9%) and total revenue was less than budget by $50,034. Total cost of goods sold was under budget by 6.3%. Purchased power costs were under budget by $50,279 (7.2%). Transmission expenses were under budget by $25,338. Net Revenue from Operations for the month was $372,971.

2. **Year to Date Income Statement:** Revenue from power sales was less than budget by $96,322 (1.1%). Total revenues were less than budget by $16,998 YTD. Interest income was $79,210 better than budget with rising interest rates. Total cost of goods sold was less than budget by $198,223 (3.5%). Purchased power costs were under budget by $79,485 (2.3%). Transmission expenses were under budget by $136,457. Total A & G expenses are under budget by $49,329 (2.2%). YTD Net Revenue is $903,825. Debt Service Coverage YTD is 1.23X.

3. **Operating Report:** Member Energy sales for April was 4.0% less than budget and 1.2% less than 2022. Member Energy Sales YTD was 0.45% less than budget and 0.4% better than 2022. All in cost of power to members YTD is $0.0993 per kWh; 1.8% lower than 2020.

4. **Contract for Distribution System Planning Services.** ARPA is working on a proposal from City Light and Power Engineering (CLPE) for technical assistance for distribution system planning services for member cities. The scope of services proposed include:

    - Project Services Development. CLPE will provide a finalized detailed work plan and hold discussions on policies, maps, drawings, components in the planning process, project requirements and project timelines.
    - System Modeling and Load Flow Analysis. Develop a baseline model that includes transmission interconnections, substations, feeders, switching, transformers, and DER.
    - Distribution System Assessments. Including a detailed assessment of system configuration, inventory components (e.g. age, condition, criticality, upgrades, etc.), identify system deficiencies, and impact on system from planned load growth.
    - Distribution Improvement Plan Development. High level scope of work, budgetary estimates, rough order of magnitude of costs, and potential integration of SCADA, AMI, GIS.
    - Final Report and Documentation.

5. **Next Meeting –**August 31, 2023 at Otero College in La Junta.

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

1. R.O. Plant
    - Routine maintenance: flushed chlorine lines, cleaned check-balls and dampeners, flushed pressure transducers.
    - Conducted operations tests on south booster and open hatch inspections on water storage tanks.
    - Tested backflow preventers and fire systems.
    - Remote site radio checks and maintenance.
    - Assisted Parks Department at swimming pool.
    - Meter reading, building maintenance, and groundskeeping.
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2. Distribution
    - Install fire and service lines for Plaza Building.
    - Install fire line service for OJC.
    - Install two new services and rebuild/repair two others.
    - Install new irrigation pipe on farm.
    - Located all mains east of Lacey Avenue with vac trailers for gas line installations.
    - Assisted street department at 10th & Carson Avenue.
    - Meter Reading and utility billing office generated work orders, equipment maintenance.
3. Financials (Water Fund)
    - May water revenues were $243,500. The budget for May was $236,500. Revenues were $6,800 above the monthly budget. Compared to 2022, revenues showed a $400 decrease. Year-to-date revenue is at 31%. Budget shows we should be at 40%. The city billed 42,199,000 gallons of water compared to 43,657,000 in 2022.
    - Total expenses were $397,300 with a monthly budget of $333,100. Expenses were $64,200 more than the budgeted amount for May (majority of this is the grant). The R.O. Plant produced to the distribution system 58,898,962 gallons of finished water. Discharge to the plant was 19,909 million gallons.
    - Compared to 2022, assets decreased $1,355,600 and liabilities decreased $992,700. Net change in fund balance is ($362,900) for year-to-date 2023.

4. Wastewater
    - Treated 28.144 million gallons. Removed 40.0 ft^3 of screenings and 35.0 ft^3 of grit.
    - RO concentrate discharge to plant was 19.909 million gallons.
    - Jetted 4,587 feet of line for emergency calls and monthly areas of concern. Seven emergency calls and sixty-two manhole locate requests.
    - Conducted QA checks on lab instruments.
    - Repairs to oil warmer on generator. Possible coolant leak to be evaluated by Cummins.
    - Continued cleaning trough in UV building.
    - Conducted inspection/repairs to manholes in Anderson and King arroyos for damage and vandalism.
    - Additional plant, collection system, grounds maintenance and treatment process lab testing conducted.

5. Financials (Waste Water Fund)
    - May sales were $204,200. This was $4,500 more than the May anticipated budget of $199,700. However, compared to 2022 sales were down $4,200. Year-to-date revenue is at 28%. Budget shows we should be at 40%. Revenues are up YTD.
    - Total expenses for May were $171,600. This was $97,100 less than the anticipated budget of $268,700. Year-to-date expenses was $118,700 less than budgeted and $44,800 more than 2022. Expenses are at 39%. Budget shows we should be at 40%.
    - Compared to 2022, assets decreased $460,500 and liabilities decreased $52,300. Net change in fund balance is ($408,275) for year-to-date 2023.

6. Other Notables:
    - Level 1 water restrictions began on May 1st and continue until October 15th. Any resident requiring additional watering time may request a 20-day exemption by calling the water department at 384-7358.
    - Attended Arkansas River Water Quality Summit at OJC.
    - Monthly safety meeting on lock-out, tag-out procedures.

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

1. Line Crew
    - Daily reads, disconnects and maintenance.
    - The system upgrade at the Power Plant sub-station has successfully been completed.
    - A pole and a crossarm caught on fire due to lightning behind 209 Colorado Avenue.
    - A blown fuse was replaced at the Red Lion Hotel which was caused by a storm.
    - The crew worked on an underground fault on the highway lights.
    - Replaced an overloaded 25 kVA transformer with a 37.5 kVA transformer at 10th and Cimarron Avenue.
    - A pad mount transformer that went bad at the Santa Fe yard was replaced and the old one was sent in for rebuild.
    - We now have seven new LED lights up at the Brick and Tile Park.
    - There was a systemwide outage from the Tri-State sub-station. They had a phase to ground fault which caused our citywide power outage.

2. SOLAR Accounts
    - The total kWh returned to the system was 11,980, from 17 customers. A total of $580.38 was rebated at the avoided costs. There are currently 22 solar customers.

3. System Update
    - The systemwide outages are from the Tri-State breaker. Our electric engineers came to trouble shoot SCADA issues. The bypass at the LP Sub is complete and is working.

4. Financials (Electric Fund)
    - Total revenue was $858,100. This is less than the May budget of $907,100 by $49,000. Compared to 2022 sales were up 1.42%. Kilowatt usage increased 70,989 compared to 2022. Total kilowatts billed was 5,629,846. Year-to-date was $4,569,400 which was below the $4,686,00 budget by $78,600. This is a 0.5% decrease for the year-to-date.
    - Expenses were $899,800 for May. This is $81,300 less than the monthly budget. ARPA costs increased from last May. Expenses were increased by 5.27% compared with 2022. Revenues exceeded expenses by $19,200 for May 2023. Year-to-date, revenues have exceeded expenses by $720,400.
    - ARPA: Energy increased 0.69% from 2022. Overall kWh was increased 0.83% from 2022. Avoided cost rate for 2022 was .05360/kWh while in 2023 it was .05066/kWh.
    - Compared to 2022, assets decreased $40,500 and liabilities increased $720,400. Net change in fund balance is $720,400 for year-to-date 2023.

D. Sanitation. Martin Montoya gave the following report:

1. Still working on information regarding leasing trash trucks versus buying them.
2. Will put together some numbers on what a cardboard program would look like.
3. Financials (Sanitation Fund)
    - May revenues were $93,733. This was $10,000 below the estimated May budget of $83,700. Comparatively, it is a 1.7% increase from 2022. Year-to-date revenue is at 34%. Budget shows it should be at 42%. Recycling revenues have increased steadily since its inception. There were 245 accounts participating in curb side pick-up in May. In 2022, only 221 residents participated. Total revenues were above the 2022 by $12,000.
    - Total sanitation expenses were $88,200. This is $4,400 below the May budget of $92,600. Year-to-date expense is $104,175 less than budgeted and $6,900 less than 2022. Expenses are at 33%. Budget shows we should be at 40%. Net change in fund balance is $14,937 for year-to-date 2023.

NEW BUSINESS

A. Rate Study. It has been discussed the last several months about raising rates. The water, wastewater and sanitation funds are all in trouble. The financials show this. Chairman McKenzie opened the floor for discussion.

Asst. City Manager Jackson: We would propose that you okay the JK Energy Rate Study.

Chairman McKenzie: I initially was wanting to do something a little less but without a whole bunch more work. We've already spent a lot of money on the rate study. I'm inclined to go with the rate study at this point.

Mayor Ayala: That would be my recommendation.

Chairman McKenzie: We're going to do this and then we're going to have a reduction in revenues after the rates go up. I think us doing this will hurt your possibilities of getting your 1% sales tax increase. It's a serious position that we're in.

Asst. City Manager Jackson: We had discussion about perhaps doing it in phases but it still boils down to the bottom line. It has to be raised that much.

MOTION TO ACCEPT JK ENERGY'S RATE STUDY FOR ALL FOUR FUNDS (ELECTRIC, WATER, WASTEWATER AND SANITATION) EFFECTIVE JULY 1, 2023: Ayala

SECOND: Cranson

DISCUSSION: There was discussion regarding having different tiers for water usage, using it as a conservation measure. It was decided to move forward with the rate study and then readjust things in six months if needed.

VOTE: The motion carried 4-0 (Bourget absent)

B. PFAS Litigation. City Attorney Malouff explained that this is a byproduct of a foam that is used in firefighting, almost exclusively by the federal government, that does not dissipate in ordinary water transfers. It does pollute and creates an environmental hazard. That being said, we don't really know what that means. This law firm has sent out a flyer saying to sign up and they're going to do a class action and if there's money to be had you can share in a percentage of $1.2 billion. There's a lot of legal obstacles to go through before we get to a class action lawsuit. These guys are trying to get everybody signed up because that means more dollars to them.

In order to know whether we've got a problem or not, we're going to have to do some evaluations which have not been undertaken. We don't even know quite for sure what that means. Most of this flow is going to flow through either Pueblo or Fountain Creak to get to us which may require their treatment before it ever gets to us. It may not be a problem for us. I think we wait to see what the government does, whether there's going to be funding, what the criteria are. There could be competing law firms that are willing to do something different for less or more. We'll keep an eye on this.

C. Asst. City Manager's Comments.

1. Thank you for your support with the rate study.

D. Governing Body's Comments.

1. Chairman McKenzie: Reiterate the decision that we made at the last meeting and the council went along with in searching out a new water attorney. I would like to have a report back on that by the next meeting to see if we've made any progress.
2. Mayor Ayala: This is the toughest decision I've made on this board, not barring the Ark Valley Conduit, on this rate study. When you do things like this, it's important to remember to do what's right, not what's popular and what's right is never popular. We always have to remember that there's been so many hours we've spent looking at this and going back and forth and trying to think of ways not to do it because of what Mr. McKenzie said about the other side of the city with this sales tax that we absolutely need. I want everyone that watches us to know that this all goes through our heads and when we say things like it's not as dire as we thought it would be, that's really dangerous because it is. If it wasn't that dire, we wouldn't be doing this right here today. When we say things like that or we say things about the 1%, it doesn't paint the facts of where we're at as a city today.
3. Chairman McKenzie: That pretty much sums up where we are. Everything has gone up for every household and we have not raised our rates through all that until now. We just couldn't go on. We have to get back on solid footing.
4. Vice-Chairman Cranson: Seen in the paper that Rocky Ford has similar problems. They have to pump twice as much water out of the ground because their pipes and mains are leaking. Sometimes you can't even find them because somebody flushes and fills their tub so you can't listen to know where the water is flowing. We don't see those things underground. Also, I would like to thank Aliza for doing the work on the reports. They're getting better all the time. I appreciate you helping out with that.

There being no further business, the meeting adjourned at 5:17 p.m.

ATTEST: CITY OF LA JUNTA

Melanie R. Scofield, City Clerk

Gary Cranson, Vice-Chairman