

**AGENDA  
JOINT PERSIGO MEETING  
CITY OF GRAND JUNCTION, CITY COUNCIL  
MESA COUNTY, BOARD OF COUNTY COMMISSIONERS  
CITY HALL AUDITORIUM  
250 N. 5<sup>th</sup> STREET  
GRAND JUNCTION, COLORADO  
THURSDAY, OCTOBER 22, 2015, 2:00 P.M.**

Chaired by City Council President Phyllis Norris

1. **Call to Order – Pledge of Allegiance**
2. **Minutes of the Last Persigo Board Meeting** [Attachment](#)
3. **201 Boundary Adjustments**
  - A. **Requested Inclusion into the Persigo 201 Service Area:**

Harrison Property – A request to have their property at 3125 A.5 Road included within the Persigo 201 Sewer Service Boundary. [Attachment](#)
  - B. **Requested Exclusion from the Persigo 201 Service Area:**

A&G Partnership - The property owners have made a request to have their properties at 311 31 Road, 3094 C Road, and 3098 C Road removed from the Persigo 201 Sewer Service Boundary. [Attachment](#)
4. **Presentation – Raftelis Financial Consultants, Inc.  
Draft 2016 Financial Planning Study, Budget, and Rates**
5. **Joint Sewer System Audit** [Attachment](#)
6. **Other Business**
7. **Adjourn**

**GRAND JUNCTION CITY COUNCIL  
and  
BOARD OF COUNTY COMMISSIONERS FOR MESA COUNTY  
JOINT PERSIGO MEETING MINUTES**

**June 25, 2015**

The Grand Junction City Council and the Mesa County Commissioners Joint Persigo meeting was called to order by Commission Chair Rose Pugliese at 2:06 p.m. on June 25, 2015 in the City Auditorium, City Hall, 250 N. 5<sup>th</sup> Street.

City Councilmembers present were Councilmembers Martin Chazen, Chris Kennedy, Duncan McArthur, Rick Taggart, Barbara Traylor Smith, and Council President Phyllis Norris. Councilmember Bennett Boeschstein was absent. County Commissioners present were John Justman, Scott McInnis, and County Commission Chair Rose Pugliese.

Also present were City Staffers Interim City Manager Tim Moore, City Attorney John Shaver, Public Works Director Greg Lanning, Engineering Program Supervisor Bret Guillory, Wastewater Services Manager Dan Tonello, Principal Planner David Thornton, and City Clerk Stephanie Tuin.

County Staffers present were County Administrator Frank Whidden, County Attorney J. Patrick Coleman, Deputy Director of Operations Pete Baier, Planning Director Linda Dannenberger, Senior Engineer Julie Constan, and Clerk to the Board Lori Westermire and her Assistant Sundae Montgomery.

**Welcome and Introductions**

Public Works Director Greg Lanning introduced the meeting and outlined the items on the agenda. He introduced the City Staff in attendance.

**Purpose of Annual Joint Meeting of the Persigo Board**

Public Works Director Greg Lanning explained the purpose of the meeting. He referred to the Persigo Agreement that requires at least one annual joint board meeting; additional meetings have been held when boundary line adjustments were requested. He noted the importance of the relationship between the two governing bodies which allows for the collection and treatment of wastewater in the Valley and encourages connection to the sewer system in order to eliminate septic systems.

Commission Chair Pugliese requested to move the Septic System Elimination Program Update to the first General Report on the agenda.

The City Council did not object.

**201 Boundary Adjustments – Requested Exclusion from the Persigo 201 Service Area**

The owner of two properties at 979 23 Road and 995 23 Road has requested to have the properties be removed from the Persigo 201 Sewer Service Boundary. In addition, Staff is recommending the exclusion of ten other properties in that vicinity.

The public hearing was opened at 2:10 p.m.

Greg Lanning, Public Works Director, introduced City Principal Planner David Thornton for this item.

Mr. Thornton described the properties requesting exclusion and provided history of the area. In 2010 the City of Grand Junction Comprehensive Plan (CP) was adopted by both the City and County creating an urban development boundary (UDB) which was the specific intent of the two governing bodies. This boundary delineated the area north of the Highline Canal as rural and the area to the south as urban which created a discrepancy; some properties designated as rural were within the Persigo 201 Sewer Services Boundary (201). The owner of two of the properties has asked that they be removed from the 201. In 2012, five properties in that area were excluded. Staff looked at the remaining properties in that area and thought those too should be excluded. Notice regarding the option to be removed from the 201 was sent to the property owners; the City has not been contacted or received any comments. City Staff is supportive of the request to have the two properties excluded along with the other ten.

Commissioner Justman asked if the owners of the other ten properties have been notified of the possible removal from the 201. Mr. Thornton said a notice was mailed to all the property owners within this area and the wording was clear that their property would be removed from the 201; they were given 30 days to respond. Commissioner Justman asked why the property owner of two parcels has requested to be excluded. Mr. Thornton said the petitioner was present. Commissioner Justman said he is reluctant to remove properties from the 201 if he is unsure they are aware of their options. Mr. Thornton stated all of the property owners were sent a notice, but none responded.

Commission Chair Pugliese asked what the exact wording of the notice was.

Engineering Program Supervisor Bret Guillory read the notice which said, “the purpose of this meeting is to discuss the exclusion of two specific properties, 979 23 Road and

995 23 Road, from the 201 Sewer Service Area. Staff recommendation is to exclude all properties north of the Grand Valley Irrigation Company Highline Canal from the 201 Service Area. The specific properties to be excluded are [the ten properties were listed]. For property owners with concerns or questions, please contact Bret Guillory the Utility Engineer for the City of Grand Junction [his phone number was listed]". He said he had not received any phone calls in response.

Commission Chair Pugliese asked County Attorney J. Patrick Coleman if the mailing would be considered proper notice since it said the meeting was to "discuss" and not "vote" on the exclusion of these properties.

County Attorney Coleman reread the notice and said the actual language said "the City Council and Board of County Commissioners will conduct public discussion and may make decisions on the issue of amending the 201 Sewer Service Area boundaries" which gives them notice that a decision may be made at this meeting. In his opinion, they were given adequate notice.

Commissioner McInnis said the notice sounded adequate, but he wondered if the envelope would have given the owners an indication of its contents since the notices were not mailed as certified or registered. He was also concerned the owners might not understand the benefits of remaining within the 201. He recommended sending out a final notice to say the decision had been made to exclude the properties from the 201. He felt a need to be overly cautious and explain the situation to the property owners.

Commission Chair Pugliese asked County Attorney Coleman if an owner would have to petition the Board to come back into the district if they had been excluded.

City Attorney Shaver said they would; the inclusion and exclusion process are the same. He addressed Commissioner McInnis to explain the notice was not mailed in an envelope.

Commissioner McInnis was concerned that once properties are excluded, the owners may not want to come back into the 201.

Commissioner Justman recommended making direct contact with each property owner to ensure they are aware of the possible change and their option to stay within the 201. He is not comfortable with just having met the legal obligation.

Council President Norris asked if City Council had any comments.

Councilmember McArthur asked if any of the parcels have plans to be developed with a septic system. Mr. Thornton said there is a land use item that has been pending for over a year; he deferred to the County for additional details.

Councilmember McArthur then asked how this area receives water services. Mr. Thornton said water is provided through Ute Water. Councilmember McArthur asked if these properties are developed, will they need septic systems? He was concerned, if the 201 is reduced, that it will create an artificial land supply and land prices will sky rocket, but if development is allowed in areas like this, septic systems should be allowed but only until sewer services are available.

Councilmember Chazen asked why this area was included in the 201 boundary initially.

Mr. Thornton said about ten years ago, as part of the CP process, meetings were held for property owners regarding expanding the 201; the result was based on a vote from the property owners. Since a large group of owners wanted to be included in the 201, a geographic boundary was drawn around those properties. When the CP was completed, the UDB had been established with the geographic boundary being the Highline Canal. At that time, there was discussion to change the 201 to match the UDB, but it was decided to keep the boundaries separate and allow the property owners to request changes. Since then, some property owners have requested and been granted exclusion from the 201. Councilmember Chazen asked if, at the time of the 2012 requests, the Board considered excluding this entire area from the 201. Mr. Thornton said they did, but only a newspaper notice had been done, so it was not pursued.

Councilmember Chazen asked what the zoning is for this area.

Mr. Thornton deferred to the County as the area is outside the city limits.

County Planning Director Linda Dannenberger said these properties are zoned RSF-R (Residential-Single-Family Rural District), which was applied to properties within the 201. If removed from the 201 boundary the AFT (Agricultural, Forestry, Transitional District) zoning would be more appropriate.

Councilmember Chazen asked if there were any other areas where the 201 boundary crossed a canal. Mr. Thornton said yes.

Councilmember Chazen expressed concern that if these properties are excluded from the 201 it may hamper future development opportunities. He was reluctant to rule out this opportunity for property owners, especially for those not present, as it may have an impact on the value of their property. He felt there is not a compelling reason to exclude the other ten properties. He then asked if development is planned for the two properties listed in this request. He did not know what advantages there would be for properties to be excluded.

County Planning Director Dannenberger said she would contact the property owners for this information.

Councilmember Kennedy asked what the development limits are for the properties on the north side of the canal.

County Planning Director Dannenberger said this area, which is bordered by the canal, 23 Road, 22 ½ Road, and J Road, is zoned RSF-R and limits the density to one unit per five acres.

Councilmember Traylor Smith referred to the area map and asked how big some of the parcels are. Mr. Thornton said parcels #1 and #2 combined are around 15 acres. Councilmember Traylor Smith agreed with the others in that there is no compelling reason to exclude the additional ten properties and noted these property owners voted at one time to be included in the 201. She then asked how many of the parcels are owned by the same people. Mr. Thornton said parcels #1 and #2, those on this request, have the same owner. He thinks most of the others are owned individually. Councilmember Traylor Smith asked for confirmation that the owners were only notified once by a mailing. Mr. Thornton said yes. Councilmember Traylor Smith reiterated she saw no rush to exclude the additional ten properties.

Councilmember Taggart said he was anxious to hear why the owner requested to be excluded.

Councilmember Chazen said there seemed to be a desire to adjust the 201 to meet the UDB; he asked if the UDB could be expanded to include this section of the 201. Mr. Thornton said the UDB was developed as part of the CP that was adopted in 2010 and has not been amended since then, but it could be considered in the future.

Council President Norris asked City Attorney Shaver if the Persigo Agreement would need to be amended if any of the suggested changes are to be made. City Attorney Shaver said this meeting is only to consider the exclusion of two properties; it would be improper if policy changes are made since no public notice was given for that consideration. Specifically, he did not think an amendment to the Agreement would be required to do as suggested; it would only be a policy change. However, he recommended the Board give notice before any policy changes are considered.

Commission Chair Pugliese asked if the Persigo Board had ever excluded properties without a specific request by the property owner. City Attorney Shaver said typically not; this area has been considered for exclusion before; part of the question was what type of notice would be required and what the expectations of that notice would be. The notice for this meeting was mailed to the individual property owners; no other contact was made because they did not want to presuppose anything, just give them the opportunity to comment.

Commission Chair Pugliese asked the applicant if she would like to make any comments regarding the application.

Jane Clevenger, 995 and 979 23 Road, said the reason she requested to be removed from the 201 is to regain her property's agricultural status; the property's zoning was changed when it was included in the district. She applied for a building permit for a pole barn and was informed her property no longer qualified as agricultural and that type of structure was not allowed. Ms. Clevenger said her property is agricultural and she would like to restore that designation so she can maintain it as an agricultural producing property.

Commissioner Justman asked County Planning Director Dannenberger how Ms. Clevenger's property was taxed after being included in the 201. County Planning Director Dannenberger said to her knowledge it was taxed as agricultural; the Assessor uses a different classification other than zoning to determine how a property is taxed. Commissioner Justman asked if this property is in the County and if an agricultural building permit is available for properties within the 201. County Planning Director Dannenberger said this property is in the County and although she is not familiar with this issue, she understood those permits are not available for these properties. She pointed out that if these properties are removed from the 201, the zoning will revert to AFT which has slight density differences and the ability to subdivide.

Commissioner Justman asked Ms. Clevenger how big the parcels are. Ms. Clevenger said one is about six acres and the other is about 8 acres.

Commission Chair Pugliese asked County Planning Director Dannenberger if the reason for this request would stem from the zoning change.

County Planning Director Dannenberger said that could be part of the concern, but she did not understand why a building permit could not be issued for a pole barn. She said if someone in the County applied for an agricultural building permit, the use of the property is reviewed through the use of aerial photography and the Assessor's tax classification since it's use, rather than zoning, determines the assessed taxes.

Council President Norris asked if City Council had any questions for the applicant.

Councilmember McArthur asked if it would be possible to accommodate Ms. Clevenger's desire to revert her property to an agricultural status while remaining within the 201.

County Planning Director Dannenberger said some agricultural uses are allowed within the RSF-R zone; this should not be an issue.

Ms. Clevenger explained the County Building Department said since her property was zoned RSF-R, agricultural structures are not allowed. County Planning Director Dannenberger asked if she knew how her property was taxed. Ms. Clevenger said it is taxed as a residential prime building site.

County Public Works Director Pete Baier called the Building Department and determined the issue surrounding the building permit was based on needing a planning clearance, not zoning. Since the property is in the 201, to get a clearance, a connection to the sewer system would be needed or a variance obtained. He further explained when someone comes in for an action, a planning clearance is needed, which entails how the property will be serviced by sewer. The typical rule for properties within the 201 is to be connected or get a variance for septic.

Engineering Program Supervisor Bret Guillory said if a parcel is developed within the 201 and is more than 400 feet away from the sewer line, a variance is issued to allow a septic system. However, if the parcel is subdivided, sewer would need to be provided.

Commission Chair Pugliese asked if it would be more appropriate to consider a variance.

County Attorney Coleman said the issue remained of why she was denied and what would be required to remedy the denial. He agreed excluding the property may not be the best remedy, but didn't feel they could come to a conclusion without input from a building official.

County Public Works Director Baier said he only spoke to the Building Department about zoning, not about the specifics of this request; a building permit could be issued, but not before the planning clearance regarding the sewer service is resolved.

Councilmember Chazen said this should be settled administratively; it is unfortunate the applicant was caught up in this, but he didn't see how this request could be used as a trigger to remove the other parcels.

Councilmember Kennedy asked Ms. Clevenger when she started the permit process. Ms. Clevenger said the County worked with her so she was able to get a variance and have the "shop building" constructed, but since only one building per parcel is allowed she is not able to add another building.

Councilmember Traylor Smith agreed with Councilmember Chazen this should be handled administratively.

Councilmember Taggart concurred with Councilmembers Traylor Smith and Chazen; this request should not be a trigger regarding the other properties. They should be allowed to come forward individually regarding any changes.

Council President Norris agreed with the reasoning regarding the additional properties, but felt the applicant should be granted her request.

City Attorney Shaver requested permission to ask the applicant questions. He asked Ms. Clevenger if the parcel she put the new building on had any other structures. Ms.



Clevenger said no. City Attorney Shaver said the Persigo Agreement had an acknowledgement called Principal Structure; since the new building is the only structure on this parcel, it is by default the principal structure. Her request should be reviewed with this in mind and this alone may solve the problem. City Attorney Shaver asked Ms. Clevenger if she had any intent of developing the property in a way that would require sewer services such as building a house on the property. Ms. Clevenger said she may, but not any time soon. City Attorney Shaver reminded her, if she was excluded and decided to develop the property in a way that required sewer services, depending on where the sewer line was at the time, she would need to add a septic system or extend to the line. Ms. Clevenger said she understood.

Commissioner Justman asked Ms. Clevenger if sewer services were needed for the new building or if it was strictly for agricultural use. Ms. Clevenger said the building is for agricultural use only and does not need sewer services. Commissioner Justman said he had no objection to her request for exclusion, but felt she could continue with her plans and also remain in the 201. Ms. Clevenger said she wanted to be out of the 201.

There were no public comments.

The public hearing was closed at 3:00 p.m.

Commissioner Justman said he would honor her request.

Commissioner McInnis said he was sorry the applicant went through all of this and then asked if agricultural buildings were required to have restrooms.

County Planning Director Dannenberger said they are not.

Commissioner McInnis wanted to make sure the applicant understood what the exclusion consequences are and that she had no intent of adding living or restroom facilities to the barn. Ms. Clevenger said only if she adds a home to the property, will living or restrooms facilities be added to the property; she understood her options.

Commission Chair Pugliese said the additional ten properties should not be included in this consideration. However, she is conflicted regarding this request because she felt the applicant would be able to accomplish what she would like without being excluded from the 201, but she will support the applicant if that is her true desire.

Commissioner Justman was worried even if the applicant maintained an agricultural property, she would want to be in the 201 in the future; it would be more difficult to get back into the district. He asked County Planning Director Dannenberger if agricultural uses can be maintained while staying in the 201. County Planning Director Dannenberger said they are allowed and one building on a lot without a house is also permitted; she is not sure of the circumstances of this request; it does not make sense.

Commission Chair Pugliese said two motions are required; the first regarding the removal of two properties, 979 23 Road and 995 23 Road, from the 201 Boundary. Commissioner McInnis moved to exclude. Commissioner Justman seconded. Motion carried.

Commission Chair Pugliese said the second motion required is whether to deny the ten other properties in the vicinity from the 201. Commissioner McInnis made a motion to deny the request. Commissioner Justman seconded. Motion carried.

Councilmember McArthur said if there is no apparent burden to the applicant, there is no compelling reason to exclude. He is not inclined to be in favor of exclusion.

Councilmember Chazen concurred with Councilmember McArthur and if the property is sold or transferred, it would be advantageous if it were within the boundary, especially if this can be solved administratively. He saw no reason to exclude this or any of the other properties and will take no action today.

Councilmember Kennedy agreed with Councilmembers McArthur and Chazen except for one thing. He felt the boundary is incorrect and the whole area should be excluded; the area is all agricultural. Five of the seventeen have already been excluded which geographically isolated the other properties in terms of the 201. He will side with the property owner, but was not in favor of excluding the rest of the properties.

Councilmember Traylor Smith recommended the applicant be given time to consider all the options that were discussed at the meeting.

Councilmember Taggart did not have a comment.

Councilmember McArthur said things like the Persigo Agreement and the CP look to the future, not at what exists today. This request also needs to be viewed with an eye to the future with the options kept open.

Council President Norris agreed with Councilmember Kennedy and felt the applicant has had sufficient time to think about this; she will honor her request.

Councilmember Chazen asked the applicant if she would like more time to think about her options. Ms. Clevenger said she had been thinking about this for a year while waiting for this meeting; she appreciated the Board taking her request to heart, but would like to be excluded. Councilmember Chazen then asked if she had thought through the potential impact on the value of the property. Ms. Clevenger said she has considered the possibilities and felt the future implications are negligible.

Councilmember Traylor Smith moved to remove 979 23 Road and 995 23 Road from the 201 Sewer Service Boundary. Councilmember Kennedy seconded the motion. Motion carried by voice vote with Councilmember McArthur voting NO.

Councilmember Traylor Smith moved to deny the request to remove the remaining ten parcels from the 201 Sewer Services Boundary. Councilmember Chazen seconded the motion. Motion carried unanimously by voice vote.

Commissioner Justman noted the boundary was laid out as it is due to the topography which has a natural flow down to the Persigo plant.

**Dry Line Sewer and Septic Systems in Lieu of Sewer Extension for Development of Ken Scissors Property at 323 Little Park Road**

Dr. Ken Scissors was granted a variance to connect to sewer by the Joint Persigo Board in 2005, and approval of a preliminary/final plan, in February 2010, which allowed for the installation of a dry line sewer for future connection to the sewer system at the time it was available on Little Park Road. This approval lapsed along with the subdivision approval after two years (+/- 2012).

Greg Lanning, Public Works Director, introduced this item. The applicant would like to subdivide and obtain a reconfirmation of the variance granted in 2005. He described the location and explained the sewer line is over 2,000 feet away; the applicant is willing to install a dry sewer line but not connect and have an individual septic system for each of the lots with an agreement to connect to sewer in the future if needed. No conditions have changed since the last approval and Staff recommends re-approval.

The applicant was present.

Commissioner McInnis asked if this was a controversial item at the last request; that is, were there any red flags to make this other than routine?

Mr. Lanning said he was not aware of any red flags that surrounded the initial request and is not aware of any now.

Councilmember McArthur asked if the parcels could be subdivided to a higher density if sewer services became available. Mr. Lanning said the minimum lot requirement is one half acre for septic systems. Councilmember McArthur then asked if this request is for a main line or just for taps. Mr. Lanning said the dry sewer line would have taps to each lot. Councilmember McArthur said if the parcels were later subdivided there would not be enough taps on the line to accommodate that growth. He then asked when this approval expired. Mr. Lanning said it expired in 2012.

Councilmember Chazen asked if this is renewed how long will the variance be effective.

City Attorney Shaver said it would be up to the Board's discretion, but it is typically tied to the planning approval process.

City Principal Planner David Thornton said Dr. Scissors is in the process of obtaining a planning approval; a planning approval has a two year window.

Councilmember Kennedy asked if the surrounding area had sewer services or septic. Mr. Lanning said they have septic systems. Councilmember Kennedy said he assumed the development was put on hold due to economic factors, and the applicant would like to keep his options open regarding the development of these lots with the same plan as previously submitted. Dr. Scissors shook his head yes.

Councilmember Taggart asked if a conditional clause could be added as to when these lots would be required to connect to sewer services. Mr. Lanning said during the planning process any condition may be added.

City Attorney Shaver said an appropriate standard clause is if the line is within 400 feet or the septic is failing, they would need to connect.

Councilmember McArthur asked if there is a provision for administrative extensions. City Attorney Shaver said because this is part of the planning process it can be done, but the question would be, what authority does the Persigo Board have relative to the extension. The approval could have a longer time frame or it could be stated that in order to be consistent with any of the planning processes an administrative extension would be allowed to be consistent. Councilmember McArthur asked if this property is within City limits. City Attorney Shaver said it is.

Commission Chair Pugliese asked the applicant to address the application.

Dr. Ken Scissors, 323 Little Park Road, thanked the Board for taking his request. He said the Board had all the information and that he is taking his request back through the application process; the original time line was derailed due to the economy. He is starting fresh and working with City Senior Planner Scott Peterson; he hoped the process would be completed by the end of July. Many people are lined up to start work on the property by the end of summer and he hoped to have a spec home completed for the 2016 Parade of Homes; there is a lot of interest in the properties.

Commissioner Justman asked the applicant if the dry line would be a short stub or go out to the street. Dr. Scissors said they are required to extend the line the entire length of the street, from Little Park Road down to Redlands Road; the cost will be \$117,000. He would prefer to put the money in an escrow account and wait to see if extending services to the main line would be feasible in the future rather than spend money on something that may not come to fruition.

Councilmember Chazen asked who will pay for the final connection when the sewer line comes within the 400 foot limit. City Attorney Shaver said it would be up to individual lot

owners; a notice would be recorded for each lot saying, if and when the sewer comes within the designated limit, the owners would be obligated to connect.

Councilmember Kennedy asked for clarification regarding the owner's obligation in the event of a septic failure, would the owner be obligated to connect to the main line even if it was not within 400 feet. City Attorney Shaver said it would be dependent on the Board's requirement; it could be distance or time; more practically it would be a distance requirement. Councilmember Kennedy said he would support the renewal without any type of variance.

Councilmember Chazen asked if the owner would know of this potential liability when they purchased the lot.

City Attorney Shaver said if the title work is read, the information would be there.

Dr. Scissors said he would ensure the owners were made fully aware of this potential. He would not put them or himself in that situation; he understands this is not a positive selling feature.

Council President Norris asked why a dry sewer line should be installed; this is a planning rule that needs to be reviewed internally as it may be a waste of money. She will support the approval.

Councilmember McArthur explained that it is more problematic to install a sewer line after the fact; it is much easier to have it installed before construction of the homes and it will provide an insurance policy for the homeowners.

Commission Chair Pugliese asked City Council to vote first if they would like to include specific conditions.

Councilmember Chazen said Councilmember Taggart suggested distance would be an appropriate trigger to connect to the main line; what would be a reasonable distance.

Mr. Lanning suggested using the default of 400 feet.

Interim City Manager Tim Moore agreed with the earlier suggestion to have this sewer approval tied to the land use and subdivision approvals so an administrative extension would be available.

City Attorney Shaver said extensions are subject to a process that can be extended.

There were no public comments.

Councilmember McArthur moved to approve a variance for the Scissors property at 323 Little Park Road for a standard two year term with an allowance for the applicant to apply for a two year extension at the discretion of the City Planning Director.

Councilmember Kennedy seconded the motion. Motion carried unanimously by voice vote.

Commission Chair Pugliese moved to approve a variance for the Scissors property at 323 Little Park Road with the condition for an additional two year extension at the discretion of the City Planning Director. Commissioner McInnis seconded the motion. Motion carried unanimously by voice vote.

### **General Reports**

Greg Lanning, Public Works Director, began the reports.

#### **Septic System Elimination Program Update**

Mr. Lanning introduced this item and gave a brief history on the program.

Commissioner McInnis said this program, which included a subsidy, was created in 2001; the subsidy was put in place to encourage people to connect to the sewer line. He felt the subsidy was well placed and well-intended in 2001, but recommended it be eliminated or at least transitioned into a revolving loan fund since the original objective was achieved and only a few disparate properties remain on septic systems. He was concerned the subsidy would be an undue financial burden on the Board and loans may be difficult to secure if the owner already had a first lien on their property.

Commissioner Justman said he is not convinced eliminating the subsidy is the best option; some may only want to connect to the line once their septic system failed.

Commissioner McInnis said his proposal would have a future effective date since it would not be fair to withdraw the incentive of current applicants. He also expressed concern regarding the subsidy's fiscal liability.

Commissioner Justman asked how much had been spent on this program and had it been widely used.

Mr. Lanning said the subsidy was 30% of the cost to extend the sewer and it had been widely used. He explained some of the specifics of the program and suggested this policy be addressed at a future meeting.

Engineering Program Supervisor Bret Guillory said \$11 million had been spent from 2000 through 2014 with 22.7 miles of sewer main lines installed for 1,175 homes. He also provided the loan balance and the portion the property owner is responsible for.

Commissioner McInnis left the meeting at 3:50 p.m.

Commission Chair Pugliese said there would be no policy decision at this meeting; it would be deferred to a future agenda.

Councilmember McArthur noted about \$10,000 per unit had been spent. He then said conversion to a sewer line is first and foremost a health issue; every septic system is a potential health issue and the incentive needs to stay in place for people to be encouraged to utilize the sewer.

Councilmember Chazen asked how the program was financed. Mr. Lanning said it was financed through the Enterprise Fund Reserve accounts which are the collected Persigo fees.

Councilmember Chazen asked if a future liability calculation had been done. Mr. Guillory said 1,800 homes were initially identified; 1,175 homes have been serviced, leaving 625 unconnected. He provided a history of the program and said the majority of the project had been accomplished. He said about \$20,000 per year is put into the program to help cover miscellaneous expenses. Councilmember Chazen noted that a minimum \$6 million liability remains; he would like to ensure enough money be placed in the reserves to cover future needs.

Councilmember Kennedy agreed with Councilmember McArthur and said the more that can be done to encourage homeowners to convert to sewer the better, for both health issues and property values.

Councilmember Taggart said he would like to see a time limit established for the incentive.

Council President Norris agreed with Councilmember Taggart in that a deadline might provide homeowners with more of an incentive to get on board. Septic systems are a health issue and it is important to get as many people connected as possible.

Councilmember McArthur asked if the established sewer rates took the subsidy into consideration. Mr. Guillory said yes. Councilmember McArthur then asked how these fees affect the sewer rate. Mr. Guillory said it is pennies and they do not affect the General Fund. He added Persigo is on the eligibility list for the State Revolving Loan Fund so if larger projects come up they could be financed through this rather than through the reserve account.

Commission Chair Pugliese suggested this be a discussion item for the next Persigo meeting. She asked Mr. Lanning to quickly review the other reports.

Mr. Lanning suggested the reports be reviewed individually; he added the biogas and digester projects are going well.

There were no objections.

**Other Business**

There was discussion about the need for an additional meeting this year. Mr. Lanning said last year it was suggested to hold the budget meeting as a joint board toward the end of the year; in the past these have been conducted separately by the City and County with Staff being available at both meetings. He suggested scheduling another joint meeting to discuss the budget and the Orchard Mesa Sanitation District which is subject to dissolution this fall, making the September 15<sup>th</sup> meeting unnecessary.

Councilmember Traylor Smith left the meeting at 4:05 p.m.

City Attorney Shaver reiterated that per the Agreement, there must be at least one meeting held annually, but after that the number is flexible. He said the Orchard Mesa Sanitation District is the only special sanitation district remaining, however, Council President Norris will sign a plan of dissolution after this meeting and the hearing is scheduled for July 28<sup>th</sup>. If the petition is acceptable, the election will be called for November 2015 and if approved, will go into effect July 15, 2016.

Commission Chair Pugliese said the intent of the annual meeting was to discuss the budget; she disagreed with Mr. Lanning in that the budget was historically discussed as a joint board and only recently was it discussed separately. She said she will not approve another Persigo budget unless there is a joint briefing; there is no reason there can't be a combined Joint Persigo meeting.

Commissioner Justman was concerned about the cost of the digester; it was much more than anticipated. He asked if there were enough funds in the reserves to cover the cost.

Commission Chair Pugliese asked Commissioner Justman if he was in favor of having a joint meeting to discuss the budget. Commissioner Justman said yes.

Councilmember McArthur asked how long Ms. Clevenger waited to come before the Board. Mr. Lanning said she waited one year. Councilmember McArthur said he had no problem increasing the frequency of meetings, but he doesn't understand why the budget discussion should be a joint meeting.

Commission Chair Pugliese explained budget is the biggest policy discussion and most important decision Boards make. She felt it would be inappropriate to get budget information secondhand from Staff and it was not the intent of the Persigo Agreement to have separate budget meetings. It is also unfair to the constituents to be deprived of the robust discussions regarding the budget. She noted there were great discussions at this meeting.



City Attorney Shaver referred to paragraph 38 of the Agreement and read, "Policy decisions and guidance shall be provided at joint meetings which shall occur at least annually". He then cited from paragraph 3 that policy includes "the annual budget".

Councilmember Chazen agreed with Commission Chair Pugliese that the primary function was to review the annual budget; there was no reason not to sit down as a Board to discuss and share ideas. He supported scheduling another meeting.

Councilmember Kennedy said, in the past, the discussions he had on budget have been separate from other policy discussions; he recommended the budget meeting not be combined with other agenda items. He agreed the Persigo Board should meet more than once per year.

Councilmember Taggart said this is a valid request. In regard to customer service, he was embarrassed the applicant waited for a year to have her request heard. Meetings should be scheduled semiannually or quarterly and cancelled if there aren't any needs.

Council President Norris agreed with having a budget meeting, but said all meetings need to be planned and not scheduled at the last minute. She noted there is a provision in the Agreement that in case the budget is not agreed upon, the previous year's budget will continue. She suggested a separate approval process be considered so citizens can be served quicker, the Agreement be reviewed and updated, and the budget meeting be scheduled soon.

Commissioner Justman agreed with the previous comments and then commented Persigo is a vital piece of economic development and needs to work well; the County and City need to work together toward the same end.

Council President Norris agreed with Commissioner Justman.

### **Adjournment**

There was no further business so the meeting was adjourned at 4:22 p.m.

Stephanie Tuin, MMC  
City Clerk

Approved: \_\_\_\_\_

**JUNE 25, 2015**

**CALL TO ORDER**

At 2:04 p.m., Chair Rose Pugliese called to order the Annual Joint Persigo meeting between the Grand Junction City Council and the Mesa County Board of County Commissioners at the Grand Junction City Hall Auditorium, 250 North 5th Street, Grand Junction, Colorado.

**1. WELCOME AND INTRODUCTIONS**

Those in attendance from Mesa County were Commissioner John Justman, Commissioner Scott McInnis, Frank Whidden, County Administrator; J. Patrick Coleman, County Attorney; Pete Baier, Director-Public Works; Linda Dannenberger, Planning Division Director, and Lori Westermire and Sundae Montgomery, Clerks to the Board. Minutes prepared by Lori Westermire.

In attendance from the City of Grand Junction were Mayor Phyllis Norris, Mayor Pro Tem Marty Chazen, and Councilmembers Duncan McArthur, Barbara Traylor Smith, Chris Kennedy, and Rick Taggart. Councilmember Bennett Boeschstein was not in attendance. Staff from the City of Grand Junction included Tim Moore, Interim City Manager; John Shaver, City Attorney; David Thornton, Senior Planner; Greg Lanning, Public Works Director; Bret Guillory, Utility Engineer; and Stephanie Tuin, City Clerk.

**2. PURPOSE OF ANNUAL JOINT MEETING OF THE PERSIGO BOARD**

Greg Lanning presented an overview of the purpose of the Annual Joint Meeting. He explained the Persigo Agreement between the City of Grand Junction and Mesa County defines the relationship between the entities, and that an annual meeting is required as a Joint Board.

Chair Pugliese requested the report pertaining to the Septic System Elimination Program be moved up because Commissioner McInnis would be leaving the meeting early.

**3. 201 BOUNDARY ADJUSTMENTS – REQUESTED EXCLUSION FROM THE PERSIGO 201 SERVICE AREA**

Dave Thornton, Planner, summarized the requested exclusion, and explained the Applicant's request to have properties at 979 and 995 23 Road removed from the Persigo 201 Sewer Service Boundary. In considering current land use, proposed future land use, and recommendations included in the Comprehensive Plan, staff recommends that a total of 12 properties currently located north of the Highline Canal between 23 Road and 22 ½ Road be excluded from the Persigo 201 boundary area.

Current Mesa County zoning for all of the area north of the canal is RSF-R (minimum lot size of 5 acres). The Grand Junction Comprehensive Plan Future Land Use Map identifies the site as Rural with rural residential densities of 5 to 10 acre lot sizes. The Comprehensive Plan supports a sewer boundary that serves all land now and in the future needing sanitary sewer service due to the density or intensity of development allowed by the Comprehensive Plan and future

zoning. There are 12 properties in this area that the Comprehensive Plan supports removing from the 201 sewer boundary. All other properties north of the Highline canal were either removed previously or never included within the sewer service area. The Public Notice mailed out to the neighborhood for this Persigo Board meeting included Staff's recommendation to exclude not just the two properties that are requesting removal, but all 12 properties. The notice listed each of the 12 properties by address.

The Board discussed proper noticing of the property owners and consequences of excluding owners from the boundary, since most were not in attendance at the meeting. Mr. Coleman and Mr. Shaver advised the Board regarding the noticing process. John Shaver discussed the process for inclusion of the property owners back into the service area. Linda Dannenberger provided information pertaining to zoning of the subject parcels and allowable uses. Pete Baier and Bret Guillory explained the process for obtaining a variance to sewer parcels with a septic system, as an alternative to removing the parcels from the boundary area.

Jane Clevinger, property owner, 995 and 979 23 Road, discussed implications of staying in the service area and how it impacts the agricultural zoning designation of her property.

COMMISSIONER MCINNIS MOVED TO EXCLUDE 979 23 ROAD AND 995 23 ROAD, THAT IT APPEARS TO ME THAT AFTER THIS LENGTHY CONVERSATION THAT THE APPLICANT IS PROBABLY WELL INFORMED AND THE APPLICANT'S CHOICE REMAINS THE SAME AND THE APPLICANT UNDERSTANDS IF SHE PROCEEDS FORWARD, TO RISK SOMETIME DOWN THE ROAD, SO I THINK THAT IS THE REQUEST WE OUGHT TO HONOR AND SHE CAN GO PUT TOOLS INTO HER SHED; COMMISSIONER JUSTMAN SECONDED, MOTION PASSES.

Chair Pugliese called for a motion: TO DENY THE EXCLUSION OF THE 10 OTHER PROPERTIES IN THAT VICINITY; COMMISSIONER MCINNIS SO MOVED; COMMISSIONER JUSTMAN SECONDED, MOTION PASSES.

COUNCILMEMBER TRAYLOR SMITH MOVED TO PROCEED WITH REMOVING ADDRESS NUMBER 995 AND 979 23 ROAD TO BE EXCLUDED FROM THE PERSIGO 201 BOUNDARY; COUNCILMEMBER KENNEDY SECONDED; MOTION CARRIED; COUNCILMEMBER MCARTHUR AGAINST.

COUNCILMEMBER TRAYLOR SMITH MOVED THAT ON THE REMAINING PARCELS THAT ARE PROPOSED FOR REMOVAL THAT WE DO NOT REMOVE THOSE PARCELS; COUNCILMEMBER CHAZEN SECONDED; MOTION CARRIED UNANIMOUSLY.

**4. DRY LINE SEWER AND SEPTIC SYSTEMS IN LIEU OF SEWER EXTENSION FOR DEVELOPMENT OF KEN SCISSORS PROPERTY AT 323 LITTLE PARK ROAD**

Greg Lanning provided a summary of the request. He explained Dr. Scissors was granted a variance to connect to sewer by the Joint Persigo Board in 2005, and approval of a preliminary/final plan in February 2010, allowing installation of dry line sewer for future

connection to the sewer system at the time it was available in Little Park Road. This approval lapsed with the subdivision approval after two years (i.e., approximately in 2012).

Mr. Lanning informed the Board that Dr. Scissors would like to subdivide his property at 323 Little Park Road. The land is currently located within the Persigo 201 service area and the applicant is requesting a variance to utilize septic systems, install dry line service connections, and agree to connect to sewer sometime in the future when it is constructed. Staff recommends approval of this variance.

Dr. Ken Scissors, Applicant, provided comments regarding the application and his plans to develop the property.

COUNCILMEMBER MCARTHUR MOVED THAT THE VARIANCE REQUEST BE GRANTED FOR A STANDARD 2 YEAR TERM AND THAT THE APPLICANT HAVE THE ABILITY TO EXTEND THAT VARIANCE REQUEST THROUGH APPROVAL BY THE PLANNING DIRECTOR FOR AN ADDITIONAL TWO YEAR TERM IF REQUESTED, IF APPROVED; COUNCILMEMBER KENNEDY SECONDED THE MOTION; MOTION CARRIED UNANIMOUSLY.

COMMISSIONER ROSE PUGLIESE MOVED TO APPROVE THE VARIANCE FOR 2 YEARS WITH THE APPLICANT BEING ABLE TO EXTEND AN APPROVAL FOR AN ADDITIONAL TWO YEARS IN THE DISCRETION OF THE PLANNING DIRECTOR, COMMISSIONER MCINNIS SECONDED, MOTION PASSES.

#### **5. GENERAL REPORTS**

Greg Lanning summarized information pertaining to the Septic System Elimination Program and incentives to connect to the sewer. Bret Guillory briefed the Board on expenses, existing revenue, assessments, and rates. Chair Pugliese explained that no policy decision would be made at the meeting, but would be deferred to a later meeting.

Commissioner McInnis departed the meeting at approximately 3:45 p.m.

Due to time constraints, Mr. Lanning suggested budget reports for other programs could be reviewed by the individual Board members. The Commissioners and Council members agreed.

#### **6. OTHER BUSINESS**

Mr. Lanning discussed options of another Joint Meeting to address budget. John Shaver advised the Board that the Agreement between the City and the County requires at least one annual meeting. He referred the Board to the Agreement regarding policy decisions, Joint meetings, and annual budget. Chair Pugliese discussed the need for another Joint budget meeting; Commissioner Justman and Council members Norris, Chazen, Kennedy, and Taggart were in favor of having another Joint meeting to discuss the budget.

Councilmember Traylor Smith left the meeting at approximately 4:00 p.m.

**7. ADJOURNMENT**

With no further business to come before the Persigo Board, Chair Pugliese adjourned the meeting at 4:22 p.m.

Sheila Reiner,  
Mesa County Clerk and Recorder



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Lori Westermire  
Clerk to the Board

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Rose Pugliese  
Chair

Verbatim digital file of the meeting is file in the Mesa County Clerk's Office.

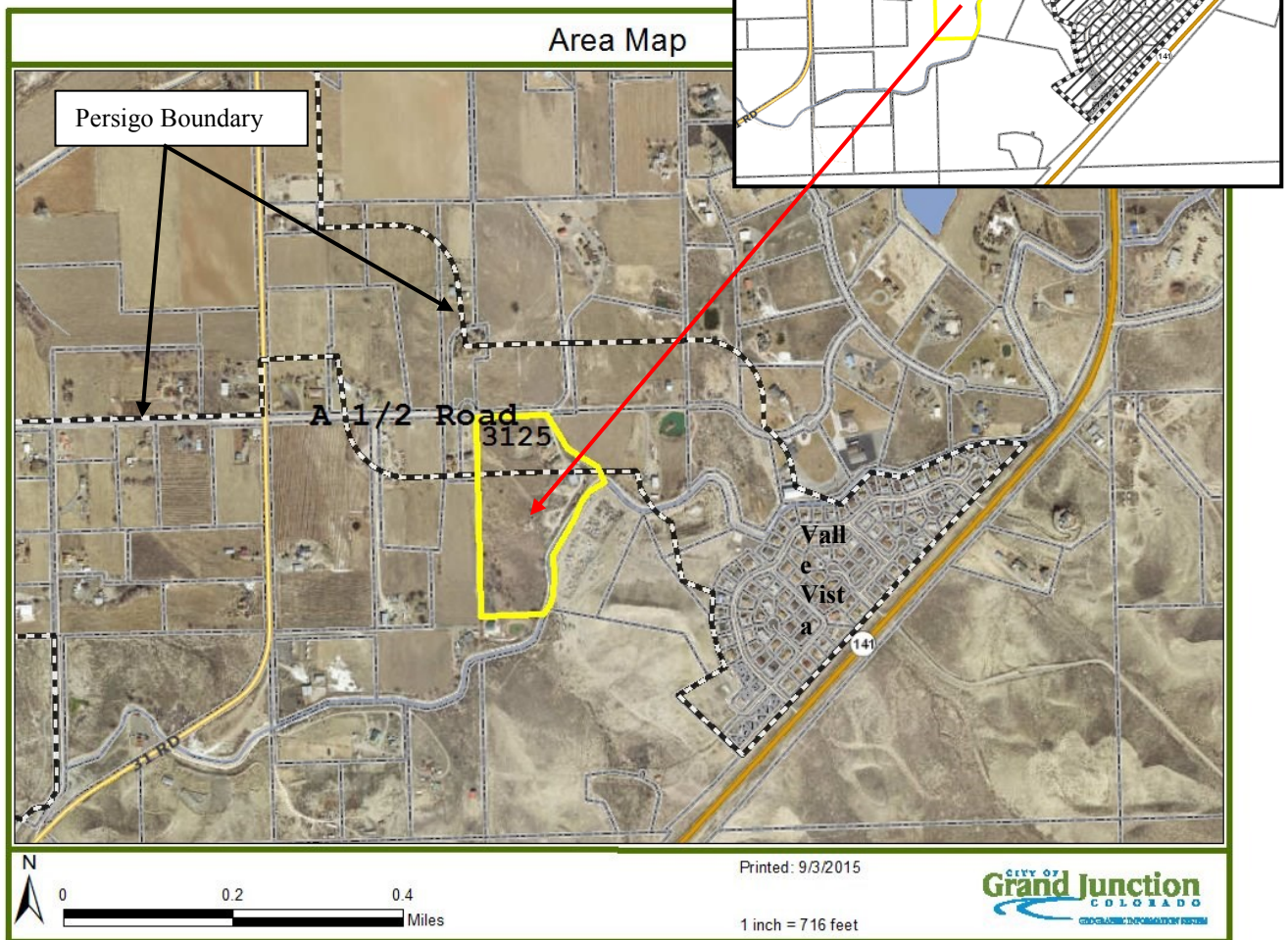
**Agenda Topic:** Harrison Property - Requested Inclusion into the Persigo 201 Service Area.

**Action Requested:** Review and consider adjusting the 201 boundary at the October 22, 2015 Persigo Board Meeting.

**Project Description:** Gena Harrison, property owner has made a request to have their property at 3125 A 1/2 Road be included in the Persigo 201 Sewer Service Boundary.

The property is shown with a yellow border on the air photo below.

**Background:** The Comprehensive Plan identifies this area as future urban with higher density development expected. This was in response to growth pressures the community was facing as well as planning for the next 25+ years of community growth, providing for more land that can be developed at urban densities. An existing 8 inch sanitary sewer line runs along A 1/2 Road adjacent to this property. This sewer line was constructed in the 1990s to serve the Valle Vista Subdivision due to sanitary sewer failures by Valle Vista's private sewer facility. At the time of the Valle Vista sewer line construction

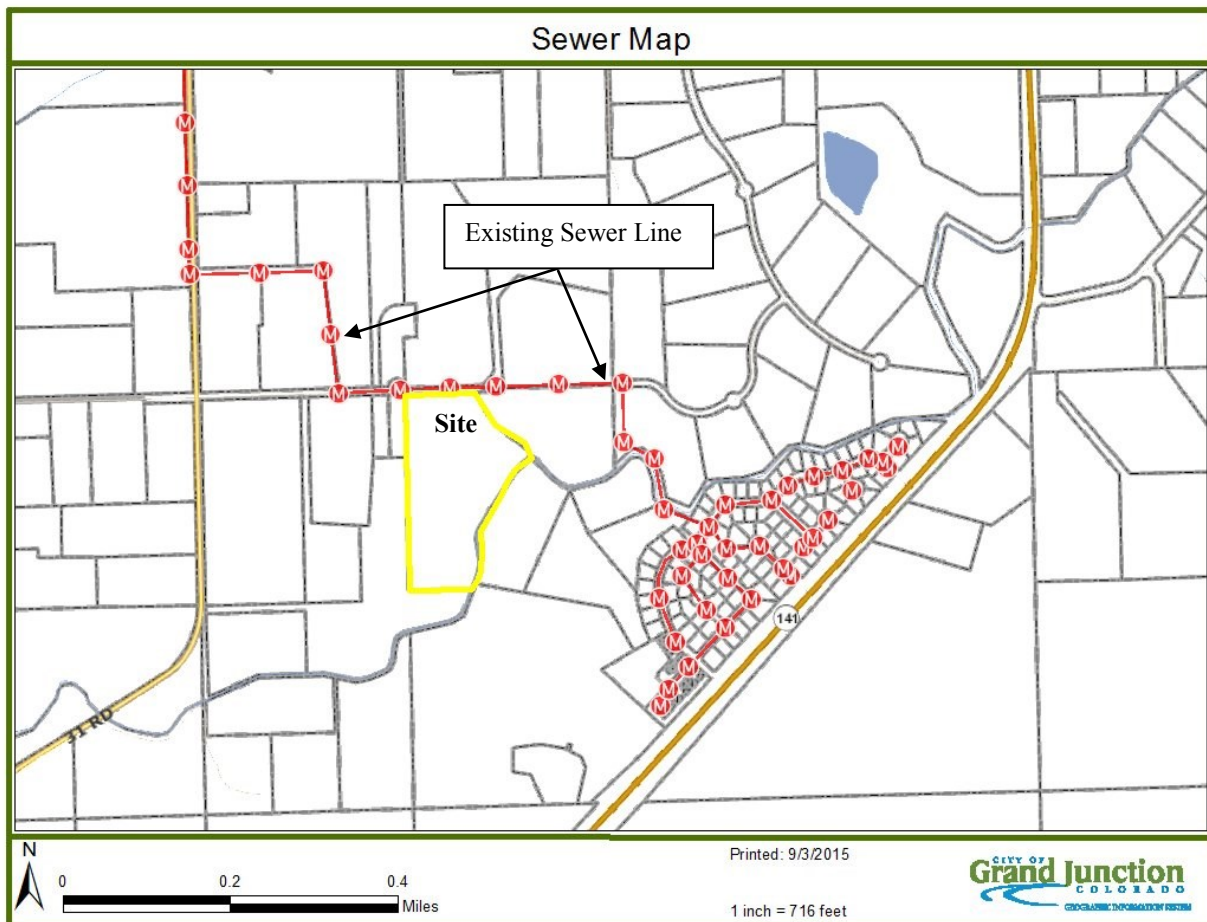


in early 1990's, the northern portion of the property at 3125 A ½ Road was included within the 201 sewer service boundary to allow one future sewer tap for the existing single family residence on the property. The existing residence lies within the 201 boundary.

The 2010 Comprehensive Plan expanded the Urban Development Boundary to include much of the area south of this sewer line to Hwy 141, including all of the property at 3125 A ½ Road. The Persigo 201 boundary was not changed to match the Urban Development Boundary following the adoption of the Comprehensive Plan. It was anticipated that inclusion into the 201 area would be considered on a property-by-property basis by the Joint City/County Persigo Board.

## 201 Boundary and Existing Sewer Service

The map below shows where existing sewer service is provided. An 8-inch sewer line is located in A ½ Road adjacent to this property. There is capacity in this line to accommodate future development of this property. Presently, the Orchard Mesa Sanitation District has jurisdiction over this sewer line. OMSD is supportive of the proposal. Ultimately, the line will be incorporated into the infrastructure of the Persigo system if/when the District is dissolved. The election for dissolution will be this November.

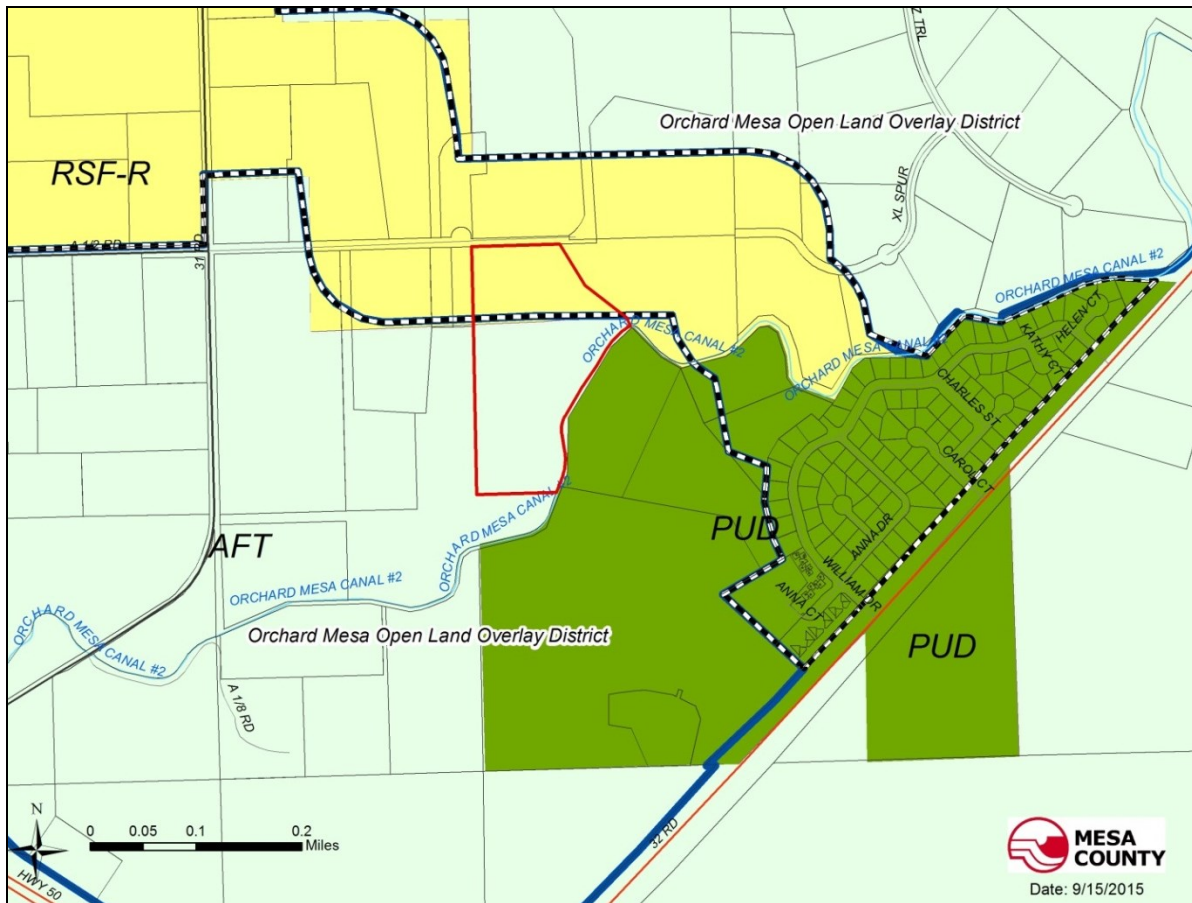


# Land Use Analysis - Zoning and Future Land Use

## Zoning:

The property at 3125 A ½ Road is 15.451 acres in size. The property is partially within the Persigo 201 sewer service area on Orchard Mesa in the southeastern portion of the Persigo 201 area. Current Mesa County zoning for the 15 ½ acres is RSF-R (minimum lot size of 5 acres) on the north, in the portion already included in the 201 boundary, and AFT (average lot size of 5 acres) on the remainder.

## Mesa County Zoning Map:



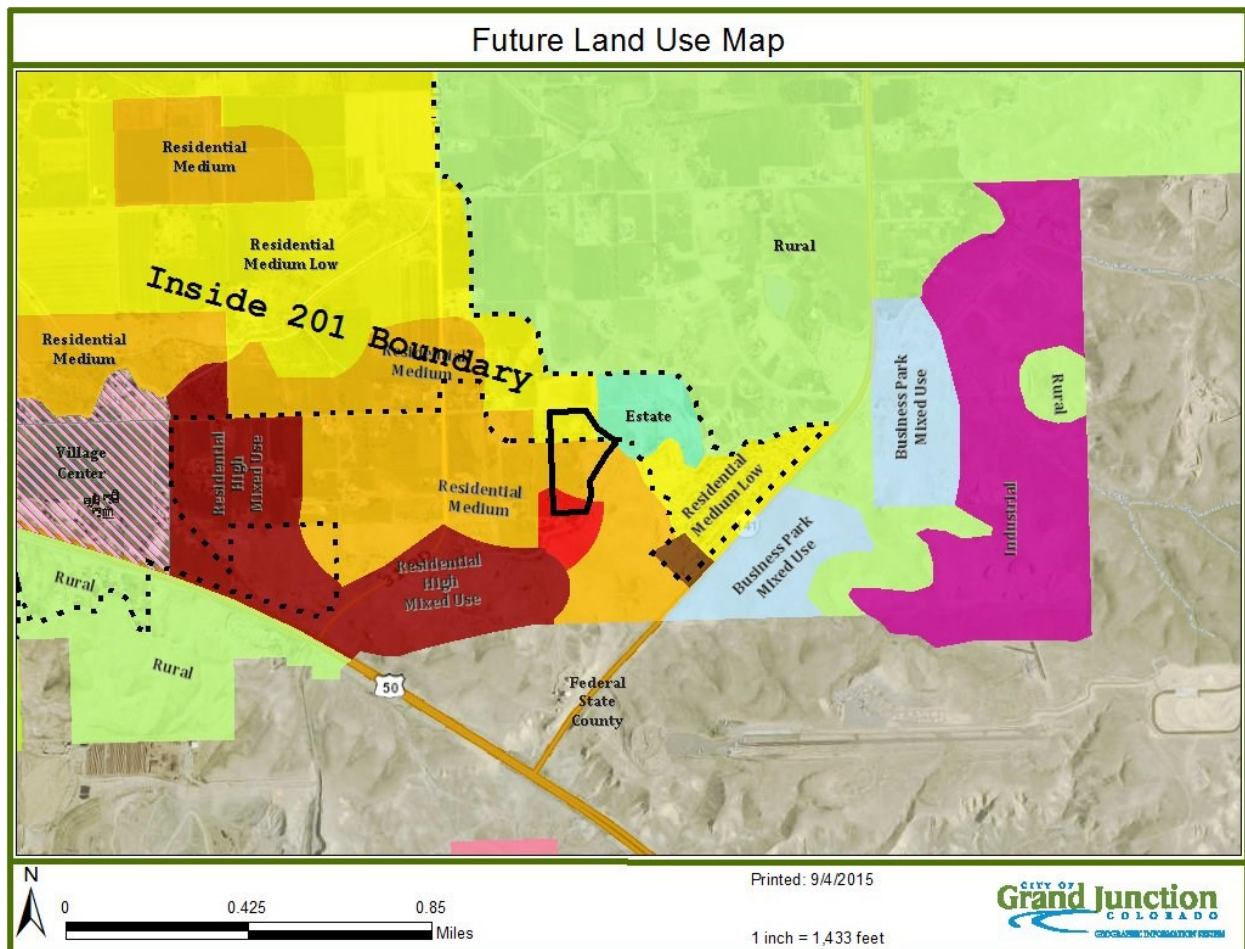
The property owner wishes to create a subdivision in order to settle an estate and to accommodate an additional residence, which would need access to the sewer. The configuration of the property may result in the new lot being outside of the 201 boundary. An expansion of the 201 boundary to include the entire property would eliminate this concern. Under the Persigo Agreement, property owners are allowed a one-time subdivision to create one additional residential lot without annexation. The property was previously subdivided through a Simple Land Division in 1999. Therefore, further subdivision of the property would require annexation into the City. The owner has met with City Planning staff to initiate the annexation and development approval process.



The Persigo Agreement (Section 23, attached) does not appear to permit any additional connections to the Valle Vista sewer line, with the exception of structures within four hundred feet (400') of the line that lawfully existed when the agreement was signed. There are twelve (12) such structures that have been allocated a tap, including the existing residence at 3125 A ½ Road. Given the expansion of the urban development boundary and concurrent changes to the future land use map in 2010, the applicability of this provision is called into question. As noted earlier, there is physical capacity for additional sanitary sewer taps. Provided such action is included in the motion, an amendment to the Agreement could occur for this property only, allowing additional taps to serve development on this property. Until such time as the Agreement is amended, as allowed in Section 27 (attached), any other properties along the line seeking to develop would be required to seek similar approvals to be allowed to have additional connections.

### Future Land Use (FLU) Map:

The Grand Junction Comprehensive Plan Future Land Use Map gives this particular property flexibility in establishing the future land use with multiple options. These options include Residential Estate (residential densities of 1 to 3 acre lot sizes), Residential Medium Low (densities between 2 and 4 units per acre), Residential Medium (densities between 4 and 8 units per acre) and Commercial land uses.



## **Recommendation:**

The purpose of this request for inclusion into the 201 area by the property owner is to bring the entire property into the sewer service area and allow for multiple sewer taps and future sewer service on the entire property.

Staff recommends approving this request for the following reasons:

1. The Comprehensive Plan Future Land Use Map identifies future urban residential densities for this property that will need sanitary sewer service.
2. The entire property is located within the Urban Development Boundary.
3. Future subdivision of the property will require annexation of the property in the 201 area to the city.
4. By approving this application, Section 23 of the Persigo Agreement is amended to allow additional taps to serve new development on this property.

## **PERSIGO AGREEMENT EXCERPTS**

### **D. City Growth, Powers of Attorney, Annexation**

#### **23. Orchard Mesa.**

For properties south of the Colorado River and east of the Gunnison within the 201 ("Orchard Mesa"), there shall be no development nor uses approved in the area east of 30 Road, west of Highway 141 (32 Road) which are connected to the System except the already fully developed subdivision "Valle Vista." Structures lawfully existing as of the date hereof which are within four hundred (400) feet of the existing sewer service line which connects to Valle Vista may be connected to that Valle Vista sewer line.

Development of any property any portion of which is west of 30 Road, on Orchard Mesa, which meets the criteria of Annexable Development shall only occur within the City and contemporaneous with annexation and City review and approval.

(c) The parties shall commit to a successful resolution with Orchard Mesa Sanitation District (OMSD) of resolving the OMSD debt related to construction of the Valle Vista sewer service line described above.

### **F. Remedies**

27. (a) This Agreement can be amended or terminated only with the concurrence of both parties as expressed in a joint resolution passed by a majority vote of the City Council and the Board of County Commissioners respectively, except as otherwise provided herein.

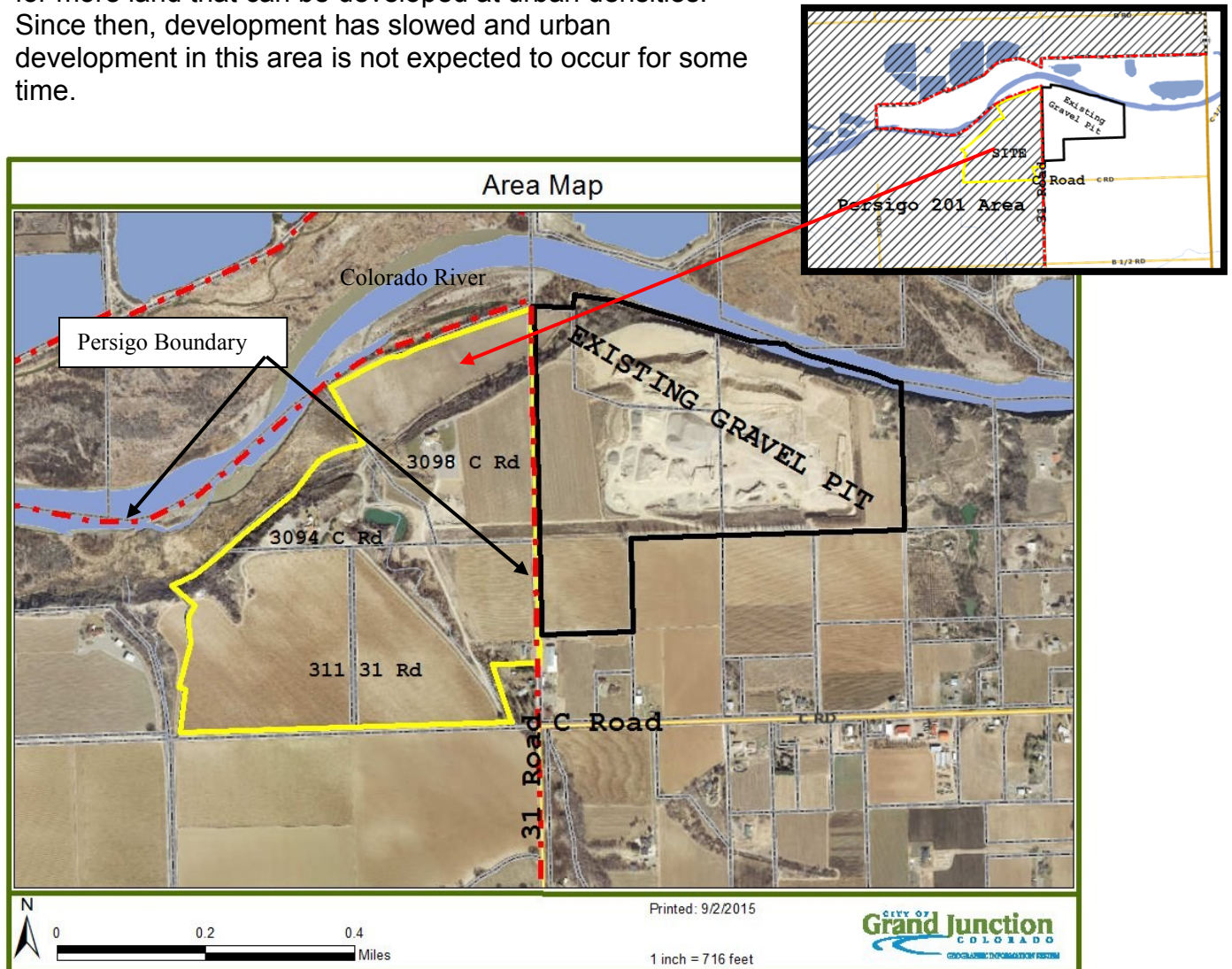
**Agenda Topic:** A & G Partnership, LLP - Requested Exclusions from the Persigo 201 Service Area.

**Action Requested:** Review and consider adjusting the 201 boundary at the October 22, 2015 Persigo Board Meeting.

**Project Description:** A & G Partnership, property owners, have made a request to have their properties at 311 31 Road, 3094 C Road and 3098 C Road removed from the Persigo 201 Sewer Service Boundary.

The properties are shown with a yellow border on the air photo below.

**Background:** During the Comprehensive Plan planning process that included much citizen involvement, the City Council and Board of County Commissioners met as the Persigo Board and approved the expansion of the Persigo 201 boundary to include the area between 30 Road and 31 Road north of A ½ Road to the Colorado River. This was in response to growth pressures the community was facing and the need to provide for more land that can be developed at urban densities. Since then, development has slowed and urban development in this area is not expected to occur for some time.

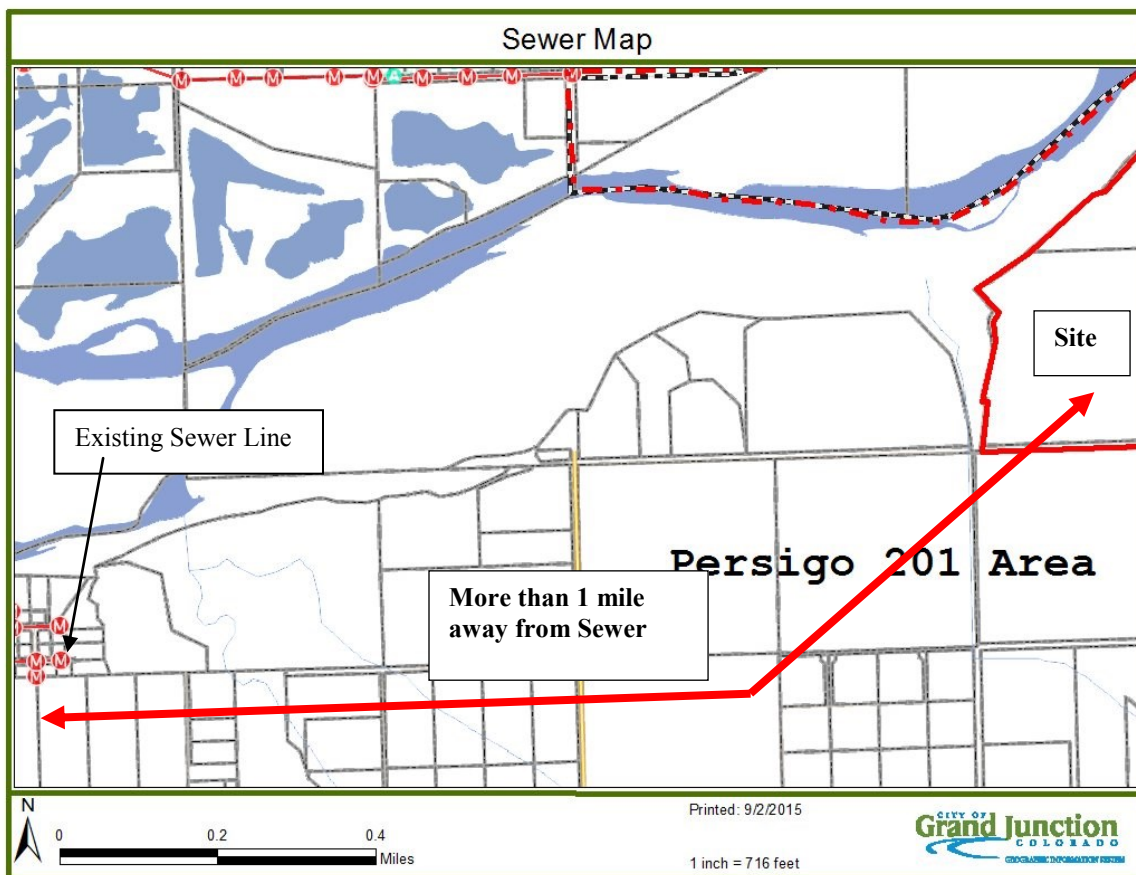


The property owners desire to expand their gravel operation on to these three parcels. They have begun discussions with Mesa County Planning Division regarding a modified or new CUP application. They are requesting exclusion from the Persigo 201 boundaries, knowing that in the future when the gravel operation is complete and reclamation of this site occurs, development will most likely be urban and will need urban services including sewer service. At that time inclusion back into the Persigo 201 service area may be requested. This request is likely not to occur for many years. Gravel pits typically operate for 20 to 30 years, depending on the quantity of resources on the site and demand.

State statute bars cities and counties from granting development approvals that would permanently preclude the extraction of commercial mineral resources. (C.R.S. 34-1-305) Specifically, the erection of permanent structures, such as a residential subdivision, prior to extraction of the mineral deposits would not be permitted. Mesa County Land Development Code Section 3.1.16 states, "In any area containing a known commercial mineral deposit, no authorization in any form, shall be given which would interfere with the present or future extraction of such deposit by an extractor."

### 201 Boundary and Existing Sewer Service

The map below shows where existing sewer service is provided. Sewer is currently located approximately 1.25 miles south and west of the subject area.

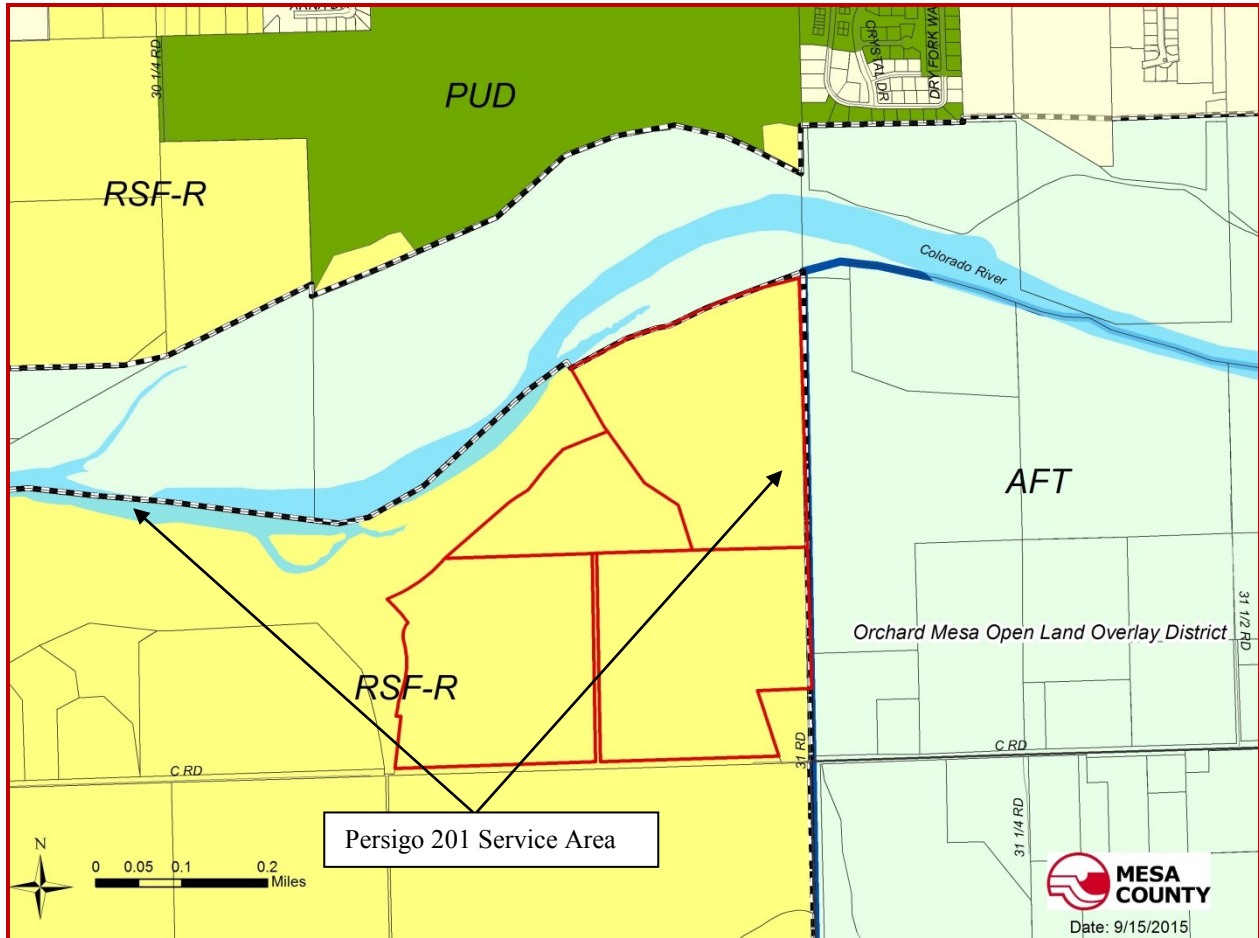


## Land Use Analysis - Zoning and Future Land Use

### Zoning:

The three properties together are approximately 122 acres in size. They currently lie inside the 201 sewer service boundary and are located on Orchard Mesa just west of the 31 Road alignment in the southeastern portion of the Persigo service area. Mesa County zoning for all of the 122 acres is RSF-R (minimum lot size of 5 acres).

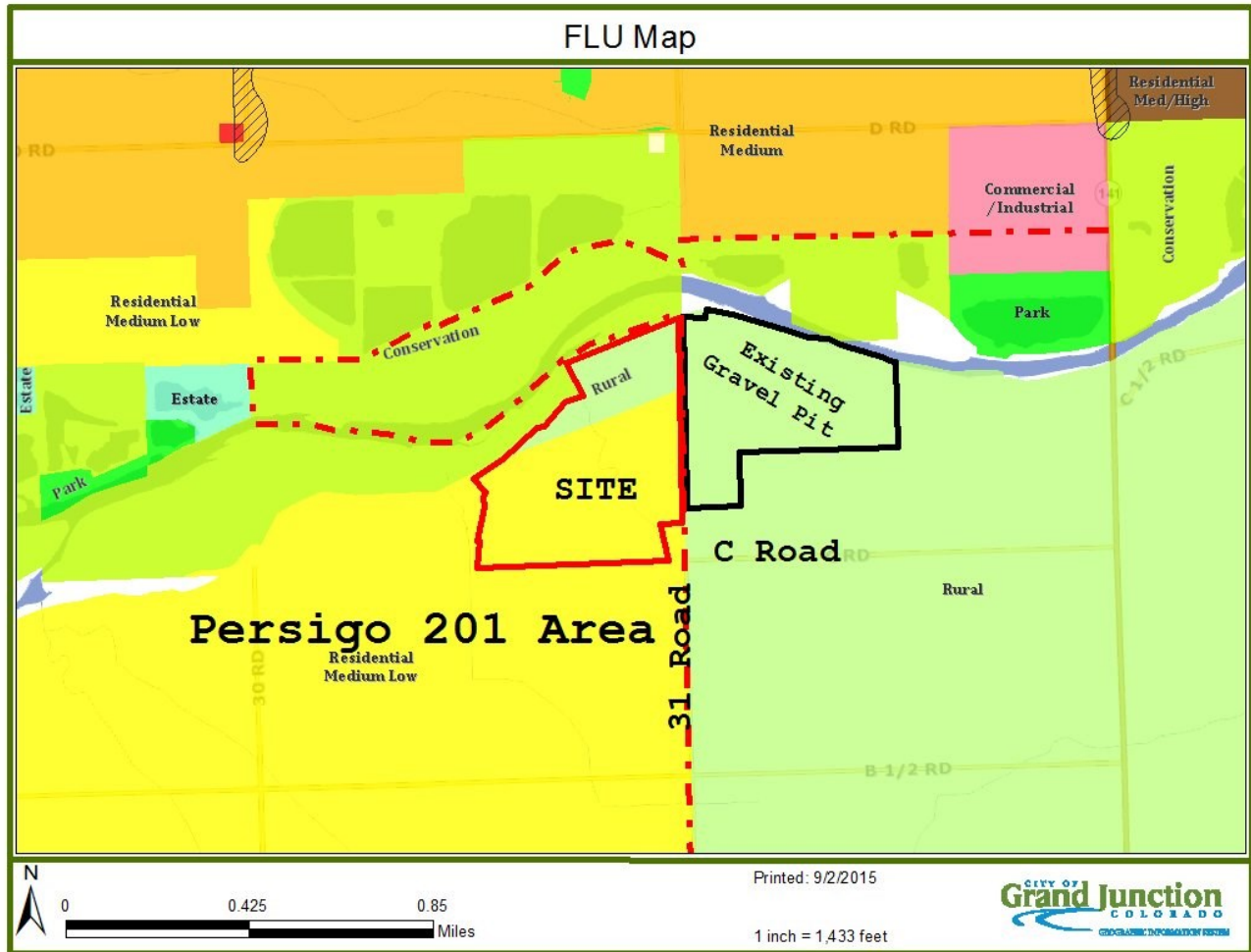
### Mesa County Zoning Map:



The existing gravel operation, located at 3146 C Road, operates under a Conditional Use Permit from Mesa County and is proposing future expansion into this site. If these three parcels are excluded from the 201, thereby eliminating the requirement to annex into the City of Grand Junction, they will seek an amendment of their Conditional Use Permit (CUP) from Mesa County for gravel mining. If this site is not removed from the Persigo 201 boundary, then they will be required to annex to the City and obtain a CUP from the City for gravel mining. This has the potential to create a scenario where part of their operation is regulated under both a County CUP and a City CUP. Enforcement of the CUPs would be potentially confusing for staff as well as by the public, especially

pertaining to who they need to call for follow-up and enforcement. Requiring gravel extraction to operate under one permit is in the best interest of the land owner and the public.

**Future Land Use (FLU) Map:**



The Grand Junction Comprehensive Plan Future Land Use Map identifies the site as Rural with rural residential densities of 5 to 10 acre lot sizes on the north, and Residential Medium Low with densities between 2 and 4 units per acre on the south.

## **Recommendation:**

The purpose of this request for exclusion from the 201 area by the property owner is to accommodate the expansion of an existing gravel operation on 122 additional acres to the west and not require the gravel mining operation to have to operate within two jurisdictions with separate Conditional Use Permits

Staff recommends removing all three parcels from the 201 area for the following reasons:

1. Sewer is not needed at this time as part of a proposed expansion of gravel extraction/mining.
2. Requiring a single gravel operation to operate under two different permits administered and approved by two different entities can be problematic.
3. C.R.S. 34-1-305 and Mesa County Land Development Code Section 3.1.16 prohibit any development that would permanently preclude or interfere with the present or future extraction of a known commercial mineral deposit.

Upon completion of mining operations and reclamation, the property owner may request that all three properties be considered for re-inclusion in the Persigo 201 area, according to the Comprehensive Plan's future land uses in effect at that time.



**FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
CITY OF GRAND JUNCTION/MESA COUNTY, COLORADO  
JOINT SEWER SYSTEM**

**DECEMBER 31, 2014 AND 2013**

**FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
CITY OF GRAND JUNCTION/MESA COUNTY, COLORADO  
JOINT SEWER SYSTEM  
DECEMBER 31, 2014 AND 2013**

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INDEPENDENT AUDITOR'S REPORT

July 21, 2015

City of Grand Junction/ Mesa County, Colorado Joint Sewer System  
Grand Junction, Colorado

We have audited the accompanying financial statements of the City of Grand Junction/Mesa County, Colorado Joint Sewer System as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Joint Sewer System's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Grand Junction/Mesa County, Colorado Joint Sewer System, as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

City of Grand Junction/Mesa County, Colorado Joint Sewer System  
July 21, 2015

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Grand Junction/Mesa County, Colorado Joint Sewer System's basic financial statements. The accompanying supplemental summary of revenues, expenditures and changes in fund net position – budget (non-GAAP budgetary basis) and actual, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary summary of revenues, expenditures and changes in fund net position – budget (non-GAAP budgetary basis) and actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Chadwick Stinchcomb, Davis & Co. P.C.*

## MANAGEMENT DISCUSSION & ANALYSIS

Our discussion and analysis of the City of Grand Junction/Mesa County Joint Sewer System's (Joint Sewer System's) financial performance provides an overview of the financial activities for the fiscal year ended December 31, 2014. This information should be read in conjunction with the financial statements.

### FINANCIAL HIGHLIGHTS

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- The Joint Sewer System remains in strong financial condition.
- The assets of the Joint Sewer System exceeded its liabilities at the close of 2014 by \$90.7 million (net position). Of this amount \$11.7 million or 13.0% is unrestricted and may be used to meet the ongoing obligations to customers and creditors. During 2014, the net position increased by \$3.2 million due to increased charges for service and contributed capital.
- In 2014 the Joint Sewer System received authorization by City Council and the County Commissioners to proceed with the construction of the infrastructure to convert excess methane gas to compressed natural gas and the pipeline to transport the compressed natural gas to the City's fleet operations. This project will be complete in 2015 and will significantly reduce future fleet fuel and environmental impacts.
- Sewer rates increased 14.7% in 2014 from \$17.00 to \$19.50.

### OVERVIEW OF THE ANNUAL FINANCIAL REPORT

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This discussion and analysis are intended to serve as an introduction to the Joint Sewer System's basic financial statements. The MD&A represents management's examination and analysis of the Joint Sewer System's financial condition and performance. The financial statements report information about the Joint Sewer System using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a statement of net position; a statement of revenues, expenses, and changes in fund net position; a statement of cash flows; and notes to the financial statements.

*The statement of net position* presents information on all of the Joint Sewer System's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Joint Sewer System is improving or deteriorating.

*The statement of revenues, expenses, and changes in fund net position* presents information showing how the Joint Sewer System's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., billed but uncollected sewer charges and earned but unused paid time off).

*The statement of cash flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

*The notes to the financial statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Joint Sewer System's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

*Supplementary information* comparing the budget to actual expenses is presented as a summary following the notes to financial statements.

## FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Joint Sewer System, net position increased by \$3.2 million during fiscal year 2014.

By far the largest portion of the Joint Sewer System's net position (87.1%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The Joint Sewer System uses these capital assets to provide direct wastewater services to citizens in the Joint Sewer System boundary as well as indirect services to many additional citizens in the Grand Junction area; consequently, these assets are not available for future spending. Although the Joint Sewer System's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### STATEMENT OF NET POSITION

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 13,082,619	\$ 12,079,572
Capital assets	86,861,094	84,791,953
Total assets	<u>99,943,713</u>	<u>96,871,525</u>
Long-term debt outstanding	7,013,083	7,906,238
Other liabilities	2,270,350	1,542,659
Total liabilities	<u>9,283,433</u>	<u>9,448,897</u>
Net position:		
Net investment in capital assets	78,954,856	76,010,893
Unrestricted	11,705,424	11,411,735
Total net position	<u>\$ 90,660,280</u>	<u>\$ 87,422,628</u>

#### Changes in Net Position

The Joint Sewer System's total revenues of \$12.9 million (including capital contributions) exceeded program expenses of \$9.7 million for an increase in net position of \$3.2 million.

Sewer service charges continue to be the main source of revenue for the Joint Sewer System and represent 85.3% of total revenues.



**CHANGES IN NET POSITION**

	<u>2014</u>	<u>2013</u>
<b>Revenues:</b>		
Charges for sales and services	\$ 11,045,671	\$ 9,492,937
Investment income	82,986	11,798
Intergovernmental revenues	126,003	68,012
Miscellaneous	25,928	31,402
Gain on sale of assets	1,223	-
Total revenues	<u>11,281,811</u>	<u>9,604,149</u>
<b>Expenses:</b>		
Personnel services	3,322,721	3,212,585
Costs of sales and services	2,881,720	2,680,678
Depreciation and amortization	3,190,884	3,094,357
Debt service	321,373	349,685
Total expenses	<u>9,716,698</u>	<u>9,337,305</u>
Capital Contributions	1,672,539	1,856,508
Increase in net position	<u>3,237,652</u>	<u>2,123,352</u>
<b>Net position, beginning</b>	<b><u>87,422,628</u></b>	<b><u>85,299,276</u></b>
<b>Net assets, ending</b>	<b><u>\$ 90,660,280</u></b>	<b><u>\$ 87,422,628</u></b>

**BUDGETARY HIGHLIGHTS**

During the fiscal year, the Joint Sewer System budget was increased from an original budget total of \$11.4 million to a final budget of \$14.0 million excluding contingency funds of \$779 thousand. The expense budget adjustments were classified as contingencies to achieve original budget appropriation. All recommended amendments for budget changes came through the Financial Operations Department and City Manager to City Council and Mesa County Commissioners via Ordinance as required. Ordinance enactment requires a public hearing and the opportunity for public discussion. The City does allow small intra-departmental budget changes that modify line items within departments within the same fund. For the Joint Sewer System, the original budget for revenues was \$12.6 million while the final budgeted amount was \$13.0 million, reflecting a increase in the projection for charges for service and investment income.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2014, the Joint Sewer System had invested in a broad range of capital assets, including building improvements, equipment and other infrastructure.

The table below provides a summary of total capital assets at December 31, 2014 and 2013.

**CAPITAL ASSETS AT YEAR-END  
(net of depreciation)**

	<u>2014</u>	<u>2013</u>
Land	\$ 129,791	\$ 129,791
Buildings and improvements	859,322	794,459
Vehicles, machinery & equipment	820,931	655,877
Construction in process	3,607,919	544,564
Intangible assets	77,389	77,389
Infrastructure	81,365,742	82,589,873
Total	<u>\$86,861,094</u>	<u>\$84,791,953</u>

Major capital additions during 2014 include:

	<u>2014</u>
Sewer Line Replacement & Extensions	\$ 1,854,348
Persigo Biogas/CNG Conversion Project	1,347,480
Interceptor Repair & Replacement	1,168,389
Plant Backbone Improvements	492,078

The Joint Sewer System remains committed to the upkeep and maintenance of its largest assets. More detailed information about the Joint Sewer System's capital assets is presented in Note 3 to the financial statements.

#### **Debt Administration**

The Joint Sewer System had total bonded debt outstanding of \$7,906,238. See Note 4 to the financial statements on page 15 which provides a summary of the Joint Sewer System's long-term debt.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Joint Sewer System is in a strong financial position. Reserves are at levels currently directed by the City Council/County Commissioners. During 2015, the sewer rate will increase from \$19.50 to \$19.60 per single family equivalent unit. Plant investment fees will increase from \$4,120 to \$4,244 per single family equivalent unit. The plant investment fees rate increase will fund necessary growth related plant and collection system expansion projects. The 2015 Budget reflects the Joint Sewer System's ongoing commitment to our community and environment.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers and investors and creditors with a general overview of the City/County Joint Sewer System finances and to show the accountability for the funds and assets it receives. If you have questions about this report, or should you need additional financial information, contact the City's Financial Operations Department at City of Grand Junction, 250 N. 5<sup>th</sup> Street, Grand Junction, CO 81501.

City of Grand Junction/Mesa County, Colorado  
Joint Sewer System  
**STATEMENTS OF NET POSITION**  
December 31, 2014 and 2013

	2014	2013
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 11,707,732	\$ 10,817,853
Accounts receivable, net of allowance for uncollectibles of \$5,711	1,224,211	991,122
Special assessments receivable	43,981	87,100
Current portion of notes receivable	19,187	19,187
Total current assets	12,995,111	11,915,262
Noncurrent assets:		
Special assessments receivable	87,508	145,123
Notes receivable	-	19,187
Capital assets		
Land	129,791	129,791
Buildings, improvements, plant and system	124,081,893	122,250,056
Equipment	2,226,222	1,861,389
Construction in process	3,607,919	544,564
Intangible assets	77,389	77,389
Less accumulated depreciation	(43,262,120)	(40,071,236)
Capital assets (net of accumulated depreciation)	86,861,094	84,791,953
Total noncurrent assets	86,948,602	84,956,263
Total assets	99,943,713	96,871,525
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	863,139	233,208
Retainages payable	117,627	35,310
Accrued liabilities	80,967	72,501
Accrued interest payable	97,993	103,950
Current portion loan premium amortization	28,155	29,822
Current maturities of long-term debt	865,000	845,000
Compensated absences payable	12,411	12,182
Total current liabilities	2,065,292	1,331,973
Noncurrent liabilities:		
Compensated absences payable	205,058	210,686
Long-term debt including premium	7,013,083	7,906,238
Total noncurrent liabilities	7,218,141	8,116,924
Total liabilities	9,283,433	9,448,897
<b>NET POSITION</b>		
Net investment in capital assets	78,954,856	76,010,893
Unrestricted	11,705,424	11,411,735
Total net position	\$ 90,660,280	\$ 87,422,628

The notes to the financial statements are an integral part of these statements.

City of Grand Junction/Mesa County, Colorado  
 Joint Sewer System  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
 For the years ended December 31, 2014 and 2013

	2014	2013
<b>Operating revenues:</b>		
Charges for sales and services	\$ 11,045,671	\$ 9,492,937
<b>Operating expenses:</b>		
Personnel services	3,322,721	3,212,585
Costs of sales and services	2,881,720	2,680,678
Depreciation and amortization	3,190,884	3,094,357
Total operating expenses	9,395,325	8,987,620
Operating income (loss)	1,650,346	505,317
<b>Nonoperating revenues (expenses):</b>		
Investment income	82,986	11,798
Intergovernmental revenues	126,003	68,012
Gain on disposition of property and equipment	1,223	-
Miscellaneous	25,928	31,402
Interest expense	(321,373)	(349,685)
Total nonoperating revenues (expenses)	(85,233)	(238,473)
Income (loss) before contributions and transfers	1,565,113	266,844
Capital contributions	1,672,539	1,856,508
Change in net position	3,237,652	2,123,352
<b>Net position - beginning</b>	87,422,628	85,299,276
<b>Net position - ending</b>	\$ 90,660,280	\$ 87,422,628

The notes to the financial statements are an integral part of these statements.

City of Grand Junction/Mesa County, Colorado  
Joint Sewer System  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2014 and 2013

	2014	2013
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 10,812,582	\$ 9,559,955
Cash paid to suppliers	(2,979,301)	(2,666,678)
Cash paid to employees	(3,319,654)	(3,208,926)
Miscellaneous receipts	25,928	31,402
Net cash provided by operating activities	4,539,555	3,715,753
<b>Cash flows from capital and related financing activities:</b>		
Contributed capital - tap fees	1,303,549	1,711,017
Contributed capital - special assessments	100,792	154,246
Principal payments - bonds	(845,000)	(1,335,000)
Interest paid	(357,152)	(415,839)
Intergovernmental receipts	126,003	68,012
Proceeds from disposition of capital assets	1,223	-
Purchase of capital assets	(4,062,077)	(2,737,660)
Net cash provided (used) in capital and related financing activities	(3,732,662)	(2,555,224)
<b>Cash flows from investing activities:</b>		
Investment income received	82,986	11,798
Net cash provided by investing activities	82,986	11,798
<b>Net increase (decrease) in cash and cash equivalents</b>	889,879	1,172,327
<b>Cash and cash equivalents, January 1</b>	10,817,853	9,645,526
<b>Cash and cash equivalents, December 31</b>	\$ 11,707,732	\$ 10,817,853
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
<b>Operating income (loss)</b>	\$ 1,650,346	\$ 505,317
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>		
Depreciation and amortization expense	3,190,884	3,094,357
Miscellaneous receipts	25,928	31,402
(Increase) decrease in accounts receivable	(233,089)	67,018
Increase (decrease) in accounts payable	629,931	(313,055)
Increase (decrease) in retainages payable	82,317	(34,928)
Increase (decrease) in accrued wages and compensated absences payable	3,067	3,659
(Increase) decrease in accounts payable/retainages due to the purchase of capital assets on account	(809,829)	361,983
Total adjustments	2,889,209	3,210,436
<b>Net cash provided by operating activities</b>	\$ 4,539,555	\$ 3,715,753
<b>Noncash Investing, Capital and Financing Activities</b>		
Purchase of capital assets on account	\$ 897,626	\$ 87,797
Noncash capital asset contributions	388,119	164,677

The notes to the financial statements are an integral part of these statements.

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City of Grand Junction/Mesa County, Colorado  
Joint Sewer System

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014 and 2013

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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This summary of significant accounting policies of the City of Grand Junction/Mesa County, Colorado, Joint Sewer System (Joint Sewer System) is presented to assist in understanding the Joint Sewer System's financial statements. The financial statements and notes are representations of the Joint Sewer System's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**History and Activity**

The City of Grand Junction/Mesa County, Colorado, Joint Sewer System was organized under several agreements, the most recent being dated May 1, 1980, between the City Council of the City of Grand Junction, Colorado, and the Board of County Commissioners of Mesa County, Colorado. The Joint Sewer System was organized to provide sewer collection and treatment facilities for the metropolitan area in the Grand Valley. The City of Grand Junction, Colorado, (the City) contributed certain assets which were included in its Sewer Fund while Mesa County, Colorado, (the County) contributed its name through the issuance of revenue bonds. Both the City and the County approve the Joint Sewer System's annual appropriation budget and the City's utility department operates and manages the system. According to the May 1, 1980 agreement, upon dissolution of the system ownership of the assets of the system shall be determined by mutual agreement between the City and the County.

On July 17, 1992, the Ridges Metropolitan District, a special district which provided its residents with municipal water, irrigation and sanitary sewer services, was effectively dissolved and annexed into the City. The sewer service portion of the Ridges was contributed to the Joint Sewer System upon annexation.

On January 1, 1993, the Grand Junction West Water and Sanitation District, a special district which provided its residents with sanitary sewer services, was effectively dissolved and annexed into the City. The sewer service portion of the Grand Junction West Water and Sanitation District was contributed to the Joint Sewer System upon annexation.

On January 1, 2009, the Fruitvale Sanitation District, a special district which provided its residents with sanitary sewer services, was effectively dissolved and annexed into the City. The sewer service portion of the Fruitvale Sanitation District was contributed to the Joint Sewer System upon annexation.

On December 31, 2012, the Central Grand Valley Sanitation District, a special district which provided its residents with sanitary sewer services, was effectively dissolved and annexed into the City. The sewer service portion of the Central Grand Valley Sanitation District was contributed to the Joint Sewer System upon annexation.

**Reporting Entity and Fund Type**

The Joint Sewer System has no component units using the criteria as set forth in generally accepted accounting principles. The Joint Sewer System is accounted for as an enterprise fund.

City of Grand Junction/Mesa County, Colorado  
Joint Sewer System

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014 and 2013

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**Basis of Accounting**

The financial statements are presented on the accrual basis of accounting. Since the Joint Sewer Service is special purpose government engaged only in a business-type activity, only enterprise fund financial statements are presented.

**Budget and Budgetary Accounting**

An annual budget is adopted for the Joint Sewer System. The budget is prepared on the accrual basis modified to include tap fees and bond proceeds as budgeted revenues and capital expenditures, debt issuance costs, and debt service principal payments as budgeted expenditures and to exclude depreciation and amortization and adjustments for accrued compensated absences from budget expenditures. The budget is approved by both the City Council of the City and the Board of County Commissioners of the County.

**Property, Plant and Equipment**

Property, plant, and equipment are carried at cost. Depreciation of property, plant, and equipment is provided on the straight-line method over the following estimated useful lives:

	<u>Estimated lives</u>
Plant and system	10-50 years
Equipment	3-10 years

Maintenance, repairs and renewals that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on dispositions of property, plant, and equipment are included in income.

**Net Position**

Investment in capital assets (net of related debt) is intended to reflect the portion of net position that are associated with non-liquid capital assets, less outstanding capital related debt.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure are recorded during the year as an extension of formal budgetary integration in order to reserve that portion of the applicable appropriation, is not included for financial reporting purposes at year end because unused appropriations and encumbrances lapse at year end and must be reappropriated in the following year to be expended.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Joint Sewer System and the City consider all highly liquid investments, including restricted assets with a maturity of three months or less when purchased, to be cash equivalents. Cash in the City's common cash and investment pool is also considered to be cash or a cash equivalent.

**Special Assessments Receivable**

Special assessments receivable are recorded for the property owner's share of the cost of utility improvements within special improvement districts. The property owner's share of the cost of these improvements has been recorded as contributed capital.



City of Grand Junction/Mesa County, Colorado  
Joint Sewer System

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014 and 2013

**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments at December 31, 2014 and 2013, consists of the following:

	2014	2013
Equity in pooled cash and investments with the City of Grand Junction, Colorado	<u>\$ 11,707,732</u>	<u>\$ 10,817,853</u>

Substantially all the City's cash and investments are part of the City's sponsored cash pool, which includes both internal and external participants. The pool is not registered with the Securities and Exchange Commission as an investment company. The City Finance Director (Treasurer) is granted authority for managing the pool by City Council. The City Treasurer reports investment activity quarterly to the Investment Advisory Committee, which is appointed by the City Manager, and reports annually to the City Council.

Cash and investments held for the City of Grand Junction/Mesa County, Colorado, Joint Sewer System are included in and inseparable from the City's pooled cash and investments. Since the Joint Sewer System is not part of the City's reporting entity, they are considered involuntary external participants of the City's cash pool. Under *GASB Statement 31*, the Joint Sewer System's pool share value is reported as an Investment Trust Fund in the City's financial statements.

**Cash Deposits**

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Colorado State Statutes require that all deposits be secured by federal deposit insurance or secured by collateral. Statutes require a financial institution to deposit collateral with another financial institution securing 102% of the market value of public funds held which exceed the amount insured by federal deposit insurance. All deposits of the City are insured or collateralized with government securities held by or for the entity.

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The composition of all cash held by the City cash pool at December 31, 2014, is as follows:

	Bank Balance	Carrying Balance
Cash on hand	\$ -	\$ 16,922
Insured deposits	250,000	250,000
Deposits collateralized in single institutional pools	3,162,270	2,758,214
	\$3,412,270	\$3,025,236

*Interest rate risk.* In accordance with its investment policy, the City manages its exposure to declines in fair value by maintaining a minimum of 30% of the portfolio in short-term securities (less than one year) and employing a buy-and-hold strategy.

City of Grand Junction/Mesa County, Colorado  
Joint Sewer System

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014 and 2013

The City voluntarily participates in the state investment pools. The state investment pools exist under the laws of the State of Colorado and are registered with the Securities Commissioner of the State of Colorado. The state investment pools and mutual funds are similar to money market funds, with each share valued at \$1. The designated custodial banks provide safekeeping and depository services, and securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. Investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. The investment in the Fire and Police Pension Association of Colorado (FPPA) investment pool is set by Colorado statute for funding of police and fire defined benefit pension plans. Investments consist of publicly traded common and preferred stock, convertible bonds, venture capital and real estate. Investments in state investment pools, mutual funds, and FPPA are not categorized by risk, as they are not evidenced by securities that exist in physical or book entry form. The fair value of the position in the state investment pools and FPPA approximate the value of the City's investment in the pools.

As of December 31, 2014, the City had the following investments:

<b>Investment Type</b>	<b>S&amp;P Rating</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Months)</b>
Federal Agency Securities	AA+	\$11,911,463	33.63
Treasury Coupon Securities	AA+	10,031,991	16.04
Pass Through Securities (GNMA/CMO)	AA+	844,249	59.34
Commercial Paper	A-1+	1,995,965	5.82
State investment pools	AAAm	22,750,283	0.00
Pension trust fund	Not rated	13,629,321	0.00
<b>Total</b>		<b>\$61,163,272</b>	<b>13.25</b>

*Credit risk.* The City's investment practices are governed by the City of Grand Junction Charter, Article IX paragraph 72, the Colorado Revised Statutes 24-75-601 to 605, and the City's investment policy as adopted by its legislative body. These controls limit investments to U.S. Government and Agency obligations, collateralized deposits, and commercial paper with the highest rating issued by one of the nationally recognized statistical rating organizations (NRSRO's).

*Concentration of credit risk.* The City's investment policy dictates diversification and does not allow for an investment in any one issuer that is in excess of five percent of the City's total investments.

*Custodial credit risk.* State law requires financial institutions to collateralize deposits of government funds. By City policy, all marketable securities shall be deposited in a safe keeping account with an independent third party state or national bank having an office in Colorado.

*Foreign Currency Risk.* The City's investment policy, excluding the FPPA pension trust funds, does not allow for investment in foreign currency.

City of Grand Junction/Mesa County, Colorado  
Joint Sewer System

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014 and 2013

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increase	Decreases	Ending Balance
<i>Capital assets, not being depreciated:</i>				
Land	\$ 129,791	\$ -	\$ -	\$ 129,791
Construction in progress	544,564	3,607,919	544,564	3,607,919
Intangible assets	77,389	-	-	77,389
Total capital assets, not being depreciated	<u>751,744</u>	<u>3,607,919</u>	<u>544,564</u>	<u>3,815,099</u>
<i>Capital assets, being depreciated:</i>				
Improvements other than buildings	11,524	-	-	11,524
Equipment	1,861,389	364,833	-	2,226,222
Buildings and systems	122,238,532	1,831,837	-	124,070,369
Total capital assets, being depreciated	<u>124,111,445</u>	<u>2,196,670</u>	<u>-</u>	<u>126,308,115</u>
<i>Less accumulated depreciation for:</i>				
Improvements other than buildings	11,524	-	-	11,524
Equipment	1,205,512	199,779	-	1,405,291
Buildings and systems	38,854,200	2,991,105	-	41,845,305
Total accumulated depreciation	<u>40,071,236</u>	<u>3,190,884</u>	<u>-</u>	<u>43,262,120</u>
Total capital assets, being depreciated, net	<u>84,040,209</u>	<u>(994,214)</u>	<u>-</u>	<u>83,045,995</u>
Joint Sewer Fund capital assets, net	<u>\$84,791,953</u>	<u>\$ 2,613,705</u>	<u>\$ 544,564</u>	<u>\$86,861,094</u>

**NOTE 4 - LONG-TERM DEBT**

The following is a summary of long-term liability of the Joint Sewer System for the year ended December 31, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities</b>					
Loan payable					
<i>CWRPDA</i>	\$5,130,000	\$ -	\$385,000	\$4,745,000	\$395,000
Plus deferred amounts:					
For loan premium	206,060	-	29,822	176,238	28,155
Bonds payable					
<i>Build America Bonds</i>	3,445,000	-	460,000	2,985,000	470,000
Compensated absences	222,868	6,783	12,182	217,469	12,411
Business-type activity long-term liabilities	<u>\$9,003,928</u>	<u>\$6,783</u>	<u>\$887,004</u>	<u>\$8,123,707</u>	<u>\$905,566</u>

City of Grand Junction/Mesa County, Colorado  
Joint Sewer System

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014 and 2013

In prior years, the Joint Sewer System defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and the liability for the defeased bonds is not included in the financial statements of the Joint Sewer System.

Bonds and loans payable as of December 31, 2014, are comprised of the following:

**Loan Payable**

The Joint Sewer System entered into a loan agreement dated April 1, 2002 with the Colorado Water Resources and Power Development Authority to finance the elimination of combined storm and sanitary sewer lines and septic system elimination. The principal amount is \$13,490,000 at a net effective interest rate of 3.62%, payable February 1 and August 1 annually through 2024. The sewer system net revenues are pledged as security for the loan. The loan proceeds are held by a trustee on behalf of the Joint Sewer System with disbursements occurring upon receipt of a requisition executed by the City/County. The unpaid principal at December 31, 2014 was \$4,745,000 payable over the following term from *Business activities*:

Year	Principal	Interest	Total
2015	\$ 395,000	\$ 202,450	\$ 597,450
2016	410,000	185,818	595,818
2017	420,000	172,380	592,380
2018	435,000	159,048	594,048
2019	450,000	145,591	595,591
2020-2024	2,635,000	337,874	2,972,874
	<u>\$4,745,000</u>	<u>\$1,203,161</u>	<u>\$5,948,161</u>

**Bonds Payable**

\$5,200,000 of approved Joint Sewer System Revenue Bonds (Direct Pay Build America Bonds Series 2009) bearing interest at 3.99% payable June 1 and December 1 annually through December 2019 were issued to extend, better, otherwise improve and equip its joint wastewater system, fund a reserve account and to pay the costs of issuing the 2009 Bonds. The unpaid principal at December 31, 2014 was \$2,985,000 payable over the following term from *Business activities*:

Year	Principal	Interest	Total
2015	\$ 470,000	\$ 128,671	\$ 598,671
2016	480,000	112,441	592,441
2017	490,000	93,275	583,275
2018	505,000	71,750	576,750
2019	1,040,000	48,807	1,088,807
	<u>\$2,985,000</u>	<u>\$454,944</u>	<u>\$3,439,944</u>

**NOTE 5 - RETIREMENT PLAN**

**Defined Contribution Plan**

All full-time employees of the Joint Sewer System participate in a mandatory defined contribution retirement plan. In a defined contribution plan, benefits depend solely on amounts contributed on the plan participant's behalf to the plan plus investment earnings. The plan is administered by an outside administrator. The plan provides for retirement benefits based upon an employee's vested account. A participant becomes 100% vested on completion of

City of Grand Junction/Mesa County, Colorado  
Joint Sewer System

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014 and 2013

five years of service. Amounts forfeited by employees who leave employment before becoming fully vested are used to pay for administrative expenses of the plan. The Joint Sewer System matches employees' required contributions of 6% of base salary. An employee may make voluntary contributions of up to an additional 10%. In 2014, covered wages in the Joint Sewer System under this plan were \$2,329,018; employer contributions were \$139,741; and employee contributions were \$139,741. Total payroll for the Joint Sewer System for the year ended December 31, 2014, was \$2,495,262.

**NOTE 6 - RISK MANAGEMENT AND INSURANCE**

The Joint Sewer System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Joint Sewer System is included in the City's risk financing. The City has established the Self-Insurance Internal Service Fund to account for and finance its uninsured risks of loss. Under this program, the Self-Insurance Internal Service Fund provides coverage for up to a maximum of \$400,000 per occurrence on each worker's compensation claim and up to \$150,000 for each general liability or property damage claim. The City purchases commercial insurance for claims in excess of coverage for worker's compensation and participates in the Colorado Intergovernmental Risk Sharing Agency (CIRSA) for claims in excess of coverage for general liability and property. Settled claims have not exceeded these coverages in any of the past three fiscal years.

The Joint Sewer System and all funds of the City participate in the program and make payments to the Self-Insurance Internal Service Fund at amounts that approximate amounts which would have been paid to outside insurance providers. The claims liability of \$2,073,879 in the Self-Insurance Internal Service Fund at December 31, 2014, includes estimated ultimate losses for claims made and claims incurred but not reported, where information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider these factors. Changes in the City's Self-Insurance Internal Service Fund claims liability amount in 2013 and 2014 were:

	January 1 Claims Payable	Claims and Changes in Estimates	Claim Payments	December 31 Claims Payable
2013	\$2,338,877	\$748,657	\$(869,549)	\$2,217,985
2014	\$2,217,985	\$595,551	\$(739,657)	\$2,073,879

**NOTE 7 – TAX, SPENDING AND DEBT LIMITATIONS**

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which added a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, and certain election requirements, which apply to the State of Colorado and all local governments.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. **The City of Grand Junction/Mesa County Joint Sewer System is considered an "enterprise" by definition and therefore is exempt from TABOR and the establishment of an emergency reserve.**

City of Grand Junction/Mesa County, Colorado  
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**NOTES TO THE FINANCIAL STATEMENTS**

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TABOR is complex and subject to interpretation. The Joint Sewer System's management believes the Joint Sewer System is in compliance with the provisions of TABOR, as it is understood from judicial interpretations, legal opinions and commonly accepted practices.

**SUPPLEMENTAL INFORMATION**

City of Grand Junction/Mesa County, Colorado  
 Joint Sewer System  
**SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
 Year ended December 31, 2014

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for sales and services	\$ 10,688,844	\$ 10,688,844	\$ 11,045,671	\$ 356,827
Sewer tap fees and system development	1,809,584	1,584,584	1,404,341	(180,243)
Investment income	77,438	67,438	70,128	2,690
Intergovernmental revenues	39,675	619,675	126,328	(493,347)
Miscellaneous	-	24,000	25,928	1,928
	<u>12,615,541</u>	<u>12,984,541</u>	<u>12,672,396</u>	<u>(312,145)</u>
<b>Expenditures:</b>				
Personnel services	3,326,703	3,314,974	3,328,119	(13,145)
Costs of sales and services	3,211,610	3,297,507	2,881,720	415,787
Debt retirement and interest expense	1,202,152	1,202,152	1,202,152	-
Capital outlay	3,636,859	6,189,414	4,871,906	1,317,508
Contingencies	-	779,031	-	779,031
	<u>11,377,324</u>	<u>14,783,078</u>	<u>12,283,897</u>	<u>2,499,181</u>
<b>Increase (decrease) in net position</b>	<b>\$ <u>1,238,217</u></b>	<b>\$ <u>(1,798,537)</u></b>	<b>\$ <u>388,499</u></b>	<b>\$ <u>2,187,036</u></b>
<b>Adjustments:</b>				
Add:				
Capital outlay			4,871,906	
Debt principal			845,000	
Investment fair market value adjustment			12,858	
Accrued interest			5,957	
Accrued compensated absences			5,398	
Gain on disposition of capital assets			1,223	
			<u>5,742,342</u>	
Less:				
Sewer tap fees and system development			(1,404,341)	
Depreciation expense			(3,161,062)	
Accrued intergovernmental subsidy			(325)	
			<u>(4,565,728)</u>	
<b>Net Income (Loss) Before Contributions and Transfers</b>			<b>\$ <u>1,565,113</u></b>	

Note: The budget basis differs from generally accepted accounting principles (GAAP) basis as shown above.