

Town of Bayfield
Regular Town Board Meeting
April 6, 2010
1199 US Highway 160B Bayfield, CO 81122

Town Board Members Present: Rick Smith (Mayor), Tom Au (Mayor Pro-Tem), Brandon Luter, Justin Talbot, Debbi Renfro, Gabe Candelaria, Dan Ford

Staff Present: Justin Clifton (Town Manager), Dirk Nelson (Town Attorney), Marianne Jones (Town Clerk), Dot Caton (Finance Director)

Media Present: Carole McWilliams (Pine River Times), Patrick Young (Durango Herald)

The meeting was called to order at 7:01 p.m.

Minutes: Debbi requested one correction to the February 16th minutes. Dan made a motion to approve the minutes from the February 16th, 2010 and the March 16th, 2010 Regular Town Board Meetings as amended. Tom seconded the motion. All were in favor, motion passed unanimously.

Public Input: No public input was offered, it was immediately closed.

Planning Commission Update: Michelle Nelson (the new Planning Commission Chairperson), stated that a Special Planning Commission Meeting was held on March 23rd to discuss the Westside Comprehensive Plan. She said that the Planning Commission does not have any recommendations for the Board yet because they are still trying to get as much information as possible on the matter. This item will be brought to the Town Board once all of the items have been reviewed and recommendations are available for each aspect of the request. Michelle also stated that the Planning Commission made a unanimous recommendation that the Town Board approve Ordinance #354 amending the Bayfield Land Use Code regarding new development meeting standards for fire flow. This Land Use Change is being done due to the adoption of Appendix B of the International Fire Code.

Action Agenda Item #1: Approval of the Bills

Tom made a motion to approve the bills dated April 2nd, 2010 as submitted. Brandon seconded the motion. All were in favor, motion passed unanimously.

Action Agenda Item #2: Town Updates

Dan Ford asked if the motors at the Gem Village Lift Station are not large enough or if they are poorly designed and that is the reason that the problems are occurring.

Justin answered that they haven't identified why the motors are not working properly. He explained that this vendor meets the Buy American Act and they have received a lot of the ARRA (American Recovery & Reinvestment Act) money that was ear marked for water & wastewater projects and it has really added to their supply & demand. Justin feels that the company is not producing quality products because of this overload. Justin mentioned that there have been additional problems with the 2nd back-up motor in the Lift Station. The motor was found under water because some of the piping associated with the first motor was plugged and it flooded the back-up motor. The Town is currently hauling the Gem Village sewage to the Bayfield Wastewater Plant because the Lift Station is unable to pump it properly. The Town has received initial communication from Smith & Loveless stating that they will cover the costs associated with this failure but they will not cover the sewage hauling costs. Their claim is that the SCADA alarm system should have sent out a notification about the error. Unfortunately, because one of the motors is down the system is in constant alarm status so the Town was unable to determine that a new problem had occurred. Justin feels that Smith & Loveless should be

Town of Bayfield
Regular Town Board Meeting
April 6, 2010
1199 US Highway 160B Bayfield, CO 81122

responsible for setting up the lift station to operate in back-up mode. Justin will pursue getting Smith & Loveless to cover all costs associated with this failure and get them to fix all of the issues immediately.

Dan asked about the design & the engineering of the lift station.

Justin Clifton answered that the Town created general specifications regarding what type of system was desired and the vendor produced the lift station according to those specifications. They are responsible for submitting the details about how the equipment works and how it meets those specifications.

Dan asked if the meeting on April 20th regarding the Eastside Traffic would be open to the public.

Justin Clifton answered that the Town hopes to keep all of the major stakeholders involved which includes the landowners who contributed to the study, the Town Board, and Town staff but the meeting will be open to the public.

Action Agenda Item #3: Presentation by Scot Elliot with Sear Capital

Justin gave his staff report. He stated that over the last couple of months he has been working with Kris Oyler, Managing Partner of Steamworks Brewing Company and others to help find a suitable business to move into the vacated Steamworks building in Bayfield. Recently Scot Elliot with a venture group called Sear Capitol has expressed interest in putting the Steamworks facility back into action. Sear Capitol intends to operate the facility as a contract brewer of beer and soda. Sear would make and distribute product for a variety of companies across the United States. Sear also has some very interesting opportunities to expand the facility and get into other activities such as warehousing.

Justin Clifton stated that Scot Elliot, Managing Partner of Sear would like to introduce himself and his company to the Town. Justin Clifton has been working with Sear to discuss sewer issues, including the possibility of getting back some or the entire \$300,000.00 CDBG grant that was lost when Steamworks closed. Justin Clifton attended a meeting on Monday April 29th at the State Office of Economic Development in Denver. This meeting was an attempt to recover the \$300,000.00 grant and also to support Sear's effort to acquire any economic development incentives.

Justin Clifton said that it appears that Sear will begin operations in the Steamworks facility very soon. This represents a great opportunity to resume some export based business in Bayfield. This will include creating new job opportunities and perhaps some limited retail opportunities as well.

Justin Clifton commented that the purpose of the meeting is an FYI to the Board and an opportunity to ask questions.

The floor was given to Scot Eliot, with Sear Capitol.

Scott Eliot said that the project in Bayfield is a joint venture project. He stated that Steamworks is invested in this project as well as several other partners. Scott commended Justin for his efforts on this endeavor.

Scott said that Sear Capitol is based out of Texas and they have operations in North Carolina, Pennsylvania, New York, Michigan, and effective today they have signed contract documents with Steamworks to operate the Bayfield Brewing Company in Colorado.

Scott commented that they hope to open on April 15th and there are 5 investing partners involved in the project. He said that these partners are investors and they have chosen to be in the beer business; however, they don't just own breweries. They have their own supply groups; they own interest in manufacturing businesses, and

Town of Bayfield
Regular Town Board Meeting
April 6, 2010
1199 US Highway 160B Bayfield, CO 81122

many other areas for the sale & production of beer. They have the buying capacity to buy for a company that would produce a substantial amount of beer and that is the pricing that is used for all of the brewing locations. This allows for a cost advantage for Bayfield even though this facility isn't on any main transportation routes.

Scott showed a power point presentation. *(A copy of this presentation is included in the official packet book and the official minute book.)*

The maximum capacity of the Bayfield facility is 10,000 barrels per year. The facility needs new fermentation vessels. They have already identified locations where they can immediately purchase these vessels & they hope to be able to double the capacity of the location.

Another issue is that there is a bottleneck in the canning process. They do have the capability to can at the facility but it needs a faster, better, & more efficient process. There is also a bottleneck in the bottling process. The facility has a great bottler but a new system will need to be purchased so that it is faster & more efficient as well. They will also have to upgrade the keg racking/washing system. They also need additional warehousing for the raw & finished product. They will also need to add refrigerated storage space as well.

Scot stated that the Bayfield Brewing Company is very close to selling out the current production of the facility. There is another local brewer that has committed to produce his beer at this facility and he has funded their escrow account.

Some of the items that are being discussed include a proposed expansion that will include a new can line. The reason for the new can line is that the maximum capacity of can production is 200 cases per shift with the current equipment at this facility. Their goal is to increase this production. They feel that Colorado is a good location for the can line because the closest contract brewing/canning operation is located in Minneapolis, MN. There are no contract brewers canning beer for customers in the Westside of the United States. They also feel that the trend in canning & micro-beers is very lucrative right now and there are no contract canning or excess capacity brewing operations in Colorado right now. All of the current locations are running at capacity.

The new can line is going to require approximately 40,000 square foot of additional facility space. There will be the can line on one side of the facility and a bottle line on the other side. Beer will be produced in one facility and then it will be passed over to a different location for packaging & shipping.

Since the location will be bottling, kegging & canning beer. All non-pasteurized micro-brews must be refrigerated so they need approximately 40,000 square feet of additional refrigerated finished goods warehouse space. They also anticipate needing approximately 75,000 - 125,000 square feet of dry good storage space.

The new can line will use 500 cans per minute. An entire tractor trailer load of cans will be consumed every 5 hours of production. This means that 5 tractor trailer loads of cans will be required every 24 hours. They must have storage space to house the raw cans coming in and the cans that are ready to be shipped out.

One of the biggest issues with the Bayfield facility is the wastewater issue. Sear Capitol committed to segregate the worst of the worst, pump it to a holding tank, and use chemically engineered bugs to reduce the BOD (Bio-Chemical Oxygen Demand) impact before it is released to the Town's sewer plant.

Scot explained the contracts that Sear Capitol currently has in place with local Colorado brewers, the financial investment required for the Bayfield location, the brewing capacity of each of those contracts and their long term goals for Colorado.

Dan asked if they will be building bigger buildings to accommodate the need for a larger facility.

Scot answered yes, they will need to do an expansion.

Town of Bayfield
Regular Town Board Meeting
April 6, 2010
1199 US Highway 160B Bayfield, CO 81122

Dan asked how many jobs will be added for the new canning line.

Scot answered that they anticipate adding 4 jobs immediately. The tap room will be opened with limited hours and an extremely limited menu. There will be a retail component and some sales tax but they are planning to do some promotions to increase the population in the tap room despite the limited hours and menu.

Gabe asked if information is available outlining future plans and commitment levels for the project.

Scot answered that they hope to implement the necessary activities to alleviate the stress on the sewer plant. Any facility or expansion will be built so that the discharge created can be controlled.

Justin stated that it's difficult to say what the impacts are going to be initially but he has expressed to Sear Capitol not to underestimate the scope of this issue. A sampling port is available on site and the Town plans to get samples when the facility reopens and continue sampling on a regular basis. The Town has committed to making this project work by finding a workable balance but the Town also has to remain diligent and make sure that capacity is not being reached at the new sewer plant. It's absolutely critical that the Town stay on top and be ahead of the game regarding sewer infrastructure. If any expansion is going to occur, the Town has to figure out the best way to maintain or make improvements before or parallel with the expansion instead of after it's completed in order to maintain constant diligence & compliance.

Scot commented that they research all potential impacts at all locations. He feels that they can handle issues relatively easily as long as they know what is required. They plan to capture the worst of the worst, remediate it, and send the best quality of water to the sewer plant as possible for reduced BOD.

Debbi asked if the current ERT's (Equivalent Residential Tap) at the Steamworks location will be sufficient for this new business.

Justin Clifton answered that the ERT schedule is defined in terms of volume and BOD level. The Town isn't sure at this point but he thinks that it will be sufficient. The Town will need to research the volume of the brewing company compared to previous usage and come up with data anticipating the future.

Debbi asked why this company is interested in moving to Bayfield.

Scot answered that the opportunity presented itself and they feel that the Colorado market is ripe for this type of endeavor.

Debbi asked if any of the other operations other than the retail portion will be bringing in tax revenue.

Scot answered that none of the other operations will be bringing in tax revenue.

Justin Talbot asked if the Town has the capacity for the extra amount of water that will be used for this business.

Justin Clifton answered that the Town can handle the initial operations but depending on the level of expansion that occurs the Town will need to have continued conversations regarding all of the impacts to Town infrastructure. The Town needs to know how much water is going to be used annually and make plans accordingly.

Justin Talbot asked if the business park roads are going to be able to handle the amount of trucking that is going to be occurring in and out of this facility.

Justin Clifton answered that the roads in this area of Town are in poor condition and it is partly due to truck traffic. He feels that this might be an opportunity to re-examine road impact fees. He said that this is something that definitely needs to be looked at in greater detail.

Town of Bayfield
Regular Town Board Meeting
April 6, 2010
1199 US Highway 160B Bayfield, CO 81122

Ed Morlan with Region 9 stated that Region 9 arranged a meeting between Scot Eliot, the Town, & the owner of Steamworks to meet with representatives from the House of Economic Development in Denver. They introduced this project to the house to request for incentives. Based on past experience, Ed stated that he anticipates that the state is going to ask for matching funds from the Town and a letter of support stating that the Town supports this endeavor. There are different types of incentives that are available and the process involves an application to the state requesting those incentives. Part of the process includes an economic impact study which will give a lot of information on tax revenue and economic growth that will occur because of this business.

Rick asked how soon the company would need a rail connection.

Scot answered that they are looking at the best return on their investment so they would like to ship via railcar whenever possible because a railcar equivocates three tractor trailer loads of product.

Scot thanked the Board for hearing their proposal and thanked Justin for his effort toward this project.

Action Agenda Item #4: Financial Update

Justin gave his staff report. He stated that part of the impetus in hiring a Finance Director was to enhance the communication of important financial information to the Board. He explained that Dot will be making monthly financial reports a regular part of Board updates. For at least the first couple of reports the financial status update will be part of the decision agenda. The financial updates will be included as part of the updates section of the agenda once the Board and staff become more accustomed to providing and reviewing this information.

He also expressed that Dot Caton has been an outstanding addition to the Town's staff. Although there have been challenges in bringing her up to speed with the nuances of governmental accounting and the Town's accounting software system, Dot has already identified numerous areas where the Town can improve its accounting protocols.

Included in the packets is a memo from Justin and Dot that outlines some of the highlights of her time here so far. Also included is a sales tax projection analysis. Justin felt it was important to be examining this information on a more regular basis. In addition to analyzing sales tax, Dot and Justin will be working to address all other important trends regarding the Town's financial health and presenting that information in the near future.

Justin explained that Dot has only recently completed the closing of 2009 and the updates to recent monthly financial reports. Dot will provide a more comprehensive financial update including year to date budget to actual comparisons in the second April or first May meeting.

The floor was given to Dot Caton, the Finance Director.

Dot explained that the audit began on her 5th day of working for the Town. She stated that she hopes to receive the audited financial statements on April 7th or 8th from Michael Branch, the Town auditor. She feels that the audit went well. There were typical audit adjustments done but she hopes that she will be able to take over doing some of those adjustments in the future so that they don't have to be done during the audit process.

Dot conveyed that an issue was discovered between the utility billing aging reports and the general ledger. Unfortunately, the numbers did not tie between the two system and these errors were never reconciled in previous years or discovered in the previous years' audits. It was discovered that sewer utility billings and amounts collected (revenues for services) did not reconcile to the general ledger in the amount of \$48,000. Further, the other utility accounts for water, garbage, and mosquito did not reconcile by a total of \$5,300.

Town of Bayfield
Regular Town Board Meeting
April 6, 2010
1199 US Highway 160B Bayfield, CO 81122

She explained that the adjustment to fix this error would not affect cash or the fund balance. It just fixed the problem so that the two systems tie to one another. She reported that reconciliations will be done every month to make sure that these reports tie to one another and this issue doesn't ever happen again in the future.

Dot also investigated a variance that she found in the sanitation account and found that the problem was two-fold: First, the beginning sewer accounts receivable balances were not entered into the general ledger when the Town took over the Sanitation district at the beginning of 2008. This accounted for the vast majority of the variance in the sewer account. Second, monthly reconciliations between utility billings and the general ledger were not being performed. These reconciliations would have pinpointed and corrected mistakes as they occurred, specifically the \$5,300 of variances in the other utility accounts.

Dot also investigated other account balances in order to ensure that they agreed with the general ledger. She discovered that the accounts payable records did not agree had not agreed since the accounting software was implemented in 2005. This error of \$7,000 was also never discovered in the course of the annual audit. Due to this variance between records, Dot posted an adjustment to correct this error and also alerted the auditor to the error. Like the adjustments posted for the utilities, this entry was an accounting adjustment that did not affect the fund balance.

Dan asked how often reconciliations were being performed.

Dot answered that they weren't being done at all. She also commented that this item should have been addressed in the audits over the years.

Dan asked if these items were ever addressed in the audit process.

Dot answered that the subsystems have never reconciled with the general ledger.

Dan asked if there was ever a recommendation made by the auditor regarding these discrepancies.

Dot answered that if the auditor would have made a recommendation the Town would have posted an adjustment to fix the discrepancy.

Dan asked if the \$7,000.00 error should have been addressed by the auditor in the annual audit.

Dot answered that all of the discrepancies found should have been caught during the audit process. She explained that auditors are supposed to tie the accounts payable aging and utility billing aging to the general ledger; however, this has never been done by the auditor.

Dan asked if these items would be addressed in the report from Michael Branch.

Dot suggested that the Board discuss these items with Michael Branch when he presents the audit to the Board.

Rick asked Justin Clifton to address the Board regarding Sales Tax.

Justin explained that the staff wants to stay on top of Sales Tax and give detailed information to the Board. Justin stated that overall Bayfield is in an excellent financial position. However, in the first quarter of 2010 there has been a decline of approximately 7-8% in the amount of sales tax revenue collected. He explained that the staff is trying to be proactive and watch sales tax very closely so that contingency plans can be put into place if necessary. The staff is working on setting up some parameters for a worst case scenario & a best case scenario. Justin explained that if the Town declines at a rate of 13% per month it will lose \$111,547 compared to the 2010 budgeted amount for sales tax. This is the total sales tax collected, which includes both the General Fund and the Capital Fund. If the Town declines at a rate of 7% (the approximate average monthly loss so far

Town of Bayfield
Regular Town Board Meeting
April 6, 2010
1199 US Highway 160B Bayfield, CO 81122

this year) it will lose \$58,615 compared to the 2010 budget. If the Town averages a flat collection for the remainder of the year it would gain \$2,570 compared to the 2010 budget.

However, Justin reiterated that there are numerous positive indicators so far this year including increases in recreation fees collected, reductions in administrative salaries, dispatch services are less than anticipated, and a vacant Deputy Marshal position are all items that could help augment any losses in sales tax revenue. However, in an effort to be prepared, staff will begin working on contingency plans to make sure if the overall financial health is seriously compromised by the decline in sales tax that it can immediately implement mitigation plans.

Action Agenda Item #5: Public Hearing: Ordinance #354 – Land Use Code Changes For Fire Flow

Justin gave his staff report. He explained that adoption of this ordinance is the last piece of policy to complete the Fire Flow decisions. This ordinance amends the Land Use Code to make clear that new development will need to meet standards for fire flow. He expressed that this ordinance was recommended unanimously by the Planning Commission.

The item was opened for public comment. None was offered so it was immediately closed.

Gabe made a motion to adopt Ordinance #354 amending section 7-3 of the Town Land Use Code by the addition of provisions related to fire flows to new developments in the Town. Tom seconded the motion. All were in favor, motion passed unanimously.

Action Agenda Item #6: Public Hearing: Ordinance #355 – Inspection Fee Schedule

Justin gave his staff report. He stated that a draft inspection fee schedule was presented to the Board at the last meeting. The Board agreed in concept to the fee schedule and directed staff to bring back an ordinance that would make the schedule official. After consultation with Dirk, it was decided that the best approach to adoption of the fee schedule is to amend the recently adopted Construction Standards.

Justin Clifton explained that the staff decided that the best approach for re-inspection fees was not to outline exactly when they will be imposed. Although this presents some challenges in terms of absolute transparency, outlining circumstances for when they will be imposed and then creating a waiver process would be equally, if not more, challenging. In structuring the re-inspection fees without specific criteria, the process will mirror the process used for Building Code inspections. The intent is to always communicate to an applicant if the Town has conducted numerous inspections of incomplete work. Staff will be able to tell an applicant that they will only have one more inspection "on the house" before having to conduct an inspection subject to an inspection fee. Applicants should not have a problem with this as they will always have fair warning and one more chance to make sure its right. Justin Clifton stated that he feels this is reasonable, especially as the Town has provided substantially more clarity to the applicant with the Construction Standards and soon to be adopted Design Standards in terms of exactly what is expected of them.

Gabe asked if the Town should be using 1.6% instead of 1.5% since that was the number that was determined through the rate analysis.

Debbi answered that she and Ron Saba, the Director of Public Works, put one project through the whole process and came up with a percentage of 1.6. She explained that another project might come in at a slightly different number than 1.6% but it will most likely be very similar to that amount. She feels that 1.5% is a good compromise.

**Town of Bayfield
Regular Town Board Meeting
April 6, 2010
1199 US Highway 160B Bayfield, CO 81122**

Gabe asked why it was determined to use the 1.5% if it is based on only one piece of data.

Justin responded that the 1.5% will only be used if a developer has a unique improvement that is not covered under the standard inspection schedule. However, there is also language included in the ordinance that states "unless otherwise negotiated as a part of any Subdivision Improvement Agreement (SIA) or Development Agreement". These odd circumstances might need a higher inspection fee than 1.5% if they require a substantial amount of inspections. If that is the case, the Town will make those negotiations during the SIA or Development Agreement process.

Dirk commented that this type of improvement is going to be very rare and should not happen very often.

The item was opened for public comment. None was offered so it was immediately closed.

Tom made a motion to adopt Ordinance #355 amending the construction specifications for the Town by providing for the addition of fees for inspections of construction that is subject to the Town's construction standards. Justin Talbot seconded the motion. All were in favor, motion passed unanimously.

Action Agenda Item #7: Confirmation Of Planning Commission Appointment

Justin Clifton gave his staff report. He stated that Mayor Smith received a letter from Joseph Mozgai regarding appointment to the vacancy on the Planning Commission. The Mayor has appointed Mr. Mozgai to this vacant seat and needs confirmation of this appointment from the Town Board.

Justin Talbot made a motion to approve Joseph Mozgai for the Planning Commission vacancy. Debbi seconded the motion. All were in favor, motion passed unanimously.

Action Agenda Item #8: Announcement of Election Results

Mayor Rick Smith read the election results.

- Tom Au 79 votes
- Gabe Candelaria 78 votes
- Debbi Renfro 71 votes
- Monte McMinn 71 votes
- Ed Morlan 66 votes
- Phillip Abbot 49 votes
- David Black 44 votes

There were a total of 133 votes cast in the election.

Mayor Rick announced that Tom Au & Gabe Candelaria would be guaranteed a 4 year terms. He stated that a tie-breaker would need to be done between Debbi & Monte to determine who would receive the 2 year term and the 4 year term. The Mayor also stated that the swearing in of the board members will happen at the next meeting.

Action Agenda Item #9: New/Unfinished Business

Town of Bayfield
Regular Town Board Meeting
April 6, 2010
1199 US Highway 160B Bayfield, CO 81122

Justin Clifton commented that he has received some information regarding the Town's Cable Television Franchise with Ice Holdings. He received a letter from USA Communications, who has acquired Ice Holdings through foreclosure. USA Communications stated that their first order of business will be to get an executed franchise agreement into place with the Town. USA also committed to restore programming as quickly as possible and they also stated that they're planning enhancements to their services as well (high speed internet, phone service, etc). Justin Clifton feels this is very good news. He will present any new information to the Board when it is received.

Debbi announced that the Ignacio Youth Center Leaders will be holding a Forum at the Town Hall building on Saturday to discuss the possibility of getting a youth center in Bayfield. She also mentioned that it would be helpful if the Town would require building permit applicants to receive Design Review Committee (DRC) approval from Dove Ranch before issuing building permits in that subdivision. She conveyed that a lot of builders are skirting the DRC process and the houses that are being built in the subdivision do not match the design guidelines. Durango has this requirement in place for all new building permits issued. Debbi also asked if the Town is interested in pursuing acquisition of the school parcel of land adjacent to Dove Ranch.

Rick responded that he feels that staff should pursue that matter and bring back information on it.

Justin Talbot thanked Dot for the report that she submitted to the Board. He stated that it was very informative. He also asked about the Town's plans for road maintenance.

Ron Saba answered that the Town is definitely going to have to do some crack sealing & some chip seals. The public works crew has used 4 pallets of cold patch to fix the major pot holes but there are a lot more of them that have not been fixed yet. However, cold patch is extremely expensive so the crews have also been using gravel in some of the sink holes as well to help with cost aspect until the weather warms up. Ron stated that he is extremely concerned because he has already had to spend \$6,000.00 of the \$10,000.00 budgeted for road maintenance.

Brandon mentioned that he has received several compliments on the Easter Celebration that was held by the Parks & Recreation Department.

Justin Clifton stated that the breakfast with the County Commissioners will happen on April 22nd @ 7:30 a.m. The location is still yet to be determined but Justin stated that he will provide talking points and specific background information on the recycling center for the Board prior to that date.

Gabe asked for information about how severance tax is being distributed.

Action Agenda Item #10: Executive Session: {C.R.S. Section 24-6-402(2)(f)}
Town Manager Evaluation

Tom made a motion to go into executive session for discussion of a personnel matter under C.R. S. Section 24-6-402(2)(f) and he requested that Justin Clifton be included in the session. Dan seconded the motion. All were in favor, motion passed unanimously.

The Board came out of executive session and adjourned.

**Town of Bayfield
Regular Town Board Meeting
April 6, 2010
1199 US Highway 160B Bayfield, CO 81122**

Minutes were approved as submitted on May 4th, 2010

Approved:

Rick K. Smith
Mayor

Marianne Jones
Town Clerk