



PAGOSA AREA GEOTHERMAL WATER AND POWER AUTHORITY

REGULAR MONTHLY MEETING

February 23, 2015 @ 5:30 p.m.

Pagosa Springs Town Hall, 551 Hot Springs Blvd, Pagosa Springs, CO

- I. **Call to Order** - Chairman Clifford Lucero, Board Members Don Volger, Steve Wadley, Michael Whiting, David Schanzenbaker, John Egan, Mike Alley

- II. **Approval of Minutes**
 - January 12th, 2015 regular Monthly Meeting Minutes
 - January 21st, 2015 Special Meeting Minutes - Board Member Volger moved to approve the meeting minutes, Board Member Schanzenbaker seconded, unanimously approved.

- III. **PAGWAPA Board clarification regarding:**
 - a. **Grant administration** - Mr. Bentley Henderson said there are challenges as to how the DOLA grant is operating and how it moves through the process. The DOLA grant was originally awarded to Archuleta County, then a change to the grantee name to PAGWAPA was requested. The name change allowed the funds to flow through the Authority as a conduit. Each entity, town and county, budgeted \$3,000 each for legal and other items.

b. **Pagosa Waters Cash flow** - Mr. Henderson said as invoices are incurred they are paid by Pagosa Verde, funneled through Pagosa Waters as the operational component, then Pagosa Water bills PAGWAPA to pay the debt. PAGWAPA then forwards the bills to the state, DOLA, for reimbursement. At this time both Pagosa Waters and PAGWAPA does not have any funds to pay the invoices. DOLA said there will be a two week delay in receiving these funds. He said the county is fearful to submit an invoice to DOLA for a small amount that is processed quickly, and then later submit a larger amount invoice that is not processed. The county has not set up a bank account for PAGWAPA, but hope to have an account set up by the end of the week. Mr. Ed Morlan works for Region 9 and closely with Ken Charles with DOLA, he suggests a line of credit be set up for the invoices. Ms. Kirsten Skeehan said DOLA is funding 37% of the funds and Pagosa Verde can get the 63% of the invoices from the DOE funds, but that PAGWAPA needs to get the 37% from DOLA but that is a four week process. She has a \$300,000 invoice she is waiting to pay. She said the process is for Pagosa Verde to get 63% or \$200,000 from the DOE grant and give it to PAGWAPA who will give the \$300,000 to Pagosa Waters to pay the invoice. Then PAGWAPA will request the 37% or \$100,000 reimbursement from the DOLA grant. Board Member Whiting said first that he believes that the cash flow problem comes from a flaw in the so-called "Pagosa Verde Model" that either was not planned for or not revealed until now. And also since all funding and all of the management is at the Pagosa Verde/Pagosa Waters level, that is where the solution should come from, and not at the PAGWAPA level. Also that these were not the original representations that prompted the BoCC (and Town Council) to form PW/PAGWAPA and fund the project. He said the County as the fiscal agent is being asked to be responsible for failure to address the cash deficiency and bail out the flawed model. He said PAGWAPA was created for two purposes, 1. to administer the DOLA grant and 2. to shield Jerry Smith and PV's activities from government interference. Not to bridge cashflow gaps. He said the request needs to come from Pagosa Waters as the investor in the model who has the cash flow problem. Board Member Wadley said the only way for Pagosa Waters to raise money is to sell shares. He said the town and county should pitch in to float the bills, and to keep a good reputation for paying invoices on time. Chairman Lucero said the three options are selling shares, getting a line of credit, or the town and county can put funds into the account to float the invoices until DOLA reimburses with grant funds. Mr. Marion Francis said similar to a construction loan, the funds are drawn on upon request and are reimbursed by the grant funds, the town and county as 80% owners should be funding the draws until reimbursement by DOLA. Town Manager Schulte said the PAGWAPA board needs to determine how the bills are going to be paid during the waiting period for reimbursement from DOLA. Board Member Whiting said the county attorney, finance director, and administrator have said the funds from DOLA may not reimburse 100% of the costs spent by PAGWAPA. He said there is a massive cash flow problem and Pagosa Verde did not foresee or

not foretold the amount of funds that are needed to invest for this project. Board Member Volger moved that PAGWAPA request the town and the county to provide equal share of the funds to take care of the cash flow problems of up to \$750,000, Board Member Egan seconded. Board Member Wadley would like Pagosa Waters to explore the line of credit option. Ms. Skeeahan said Pagosa Waters has been looking into a line of credit, however there is a \$10,000 fee for \$1mil line of credit. Chairman Lucero believes the county has only about \$250,000 in reserves. Board Member Volger modified his motion to reduce the amount to \$500,000, \$250,000 from the town and county per entity as an advance while awaiting payment from DOLA grant funds, Board Member Egan seconded. Board Member Schanzenbaker said it is the Authority's responsibility as the administrator of the grant to cover the cash flow issue. Mr. Henderson said PAGWAPA was set up to handle the DOLA grant, and Pagosa Waters is the agency that pays the invoices. Motion carried with one nay (Board Member Whiting).

c. Revenue and expense

- IV. **Authorization of invoices** – Mr. Henderson said PAGWAPA will be the entity that will pay the invoices, a process for paying invoices needs to be establish. This item will be addressed at the next meeting.
- V. **Administrative costs** – Mr. Henderson said the county wanted to make it aware that the county staff has a large amount of involvement and time into the project and would like to consider reimbursement of the administrative costs. Board Member Egan asked who was going to pay for these costs. He said that at the end there may be a reimbursement of the administrative costs. Mr. Francis said the amount of time invested will be reduced after the DOLA grant money is spent. Mr. Schulte suggests PAGWAPA request DOLA to reimburse the costs. Ms. Skeeahan said Ken Charles had said there was no reimbursement for administrative costs, however county staff will ask Mr. Charles about reimbursement. Mr. Henderson said the finance department is deep in the annual audit and is hard pressed to work on invoices and grant requests.
- VI. **Update on drilling operations by Pagosa Verde** –March 9th at 5:00 pm will be the next meeting and update on drilling.
- VII. **Adjourn** – Meeting adjourned at 7:02pm.