

NOVEMBER 15, 2021

**CITY OF GUNNISON COUNCIL  
REGULAR SESSION**

5:30 P.M.

The Gunnison City Council Regular Session meeting was called to order at 5:30 p.m. by Mayor Jim Gelwicks with Councilor Boe Freeburn and Councilor Mallory Logan present in Council Chambers, located at 201 W. Virginia Avenue. The meeting was also conducted remotely. Present in Chambers were City Manager Russ Forrest, City Attorney Kathy Fogo, City Clerk Erica Boucher, Finance Director Ben Cowan, and Western Liaison KC Wenzel. Community Development Director Anton Sinkewich, Water and Sewer Superintendent Mike Rogers, and Electric Superintendent Will Dowis were in Council Chambers along with Andrew Ross of NMPP. Presenters for agenda topics were in Council Chambers. A few interested residents attended the meeting, both in Chambers and online. A Council quorum was present. Mayor Pro Tem Jim Miles and Councilor Diego Plata were absent. The press was present.

**Citizen Input.** Mayor Gelwicks asked if there was anyone who wanted to speak to Council for three minutes. No one came forward.

**Council Action Items**

**Appoint Member to Zoning Board of Adjustments and Appeals (ZBOAA).** Mayor Gelwicks asked ZBOAA applicant Rob Sulaski to come before Council and state his interest in serving on the Zoning Board of Adjustments and Appeals. After sharing a bit of background information, Mr. Sulaski told Council that he believes Gunnison is a “gem of a place” and he wants to get involved to keep Gunnison a great place to live and work. Councilor Plata recommended that he apply for the position on the ZBOAA. Mr. Sulaski is familiar with zoning regulations. He is eager to learn more about both the planning process and the local government. If appointed, four out of the five positions on ZBOAA will be filled. Councilor Logan moved and Councilor Freeburn seconded the motion to appoint Rob Sulaski to the Zoning Board of Adjustments and Appeals for the term that expires on May 26, 2024.

Roll call, yes: Freeburn, Gelwicks, and Logan. So carried.

Roll call, no: None.

**Cost of Services for Water, Sewer, and Electrical.** City Manager Russ Forrest started the discussion by stating that staff and Andrew Ross had a good conversation earlier in the day and are able to present a recommendation for 2022 rates to Council. Andrew Ross is a director at NMPP Energy, a non-profit organization serving 200 municipalities across six states, primarily regarding utility-related services. The organization focuses on cost of services rates and financial planning. Mr. Ross has been with NMPP for 13 years. Previously he was the manager of engineering at MEAN. He has served as a consultant for Gunnison for eight years. He will be presenting recommended rates changes for Gunnison’s electric, wastewater, and water services. He informed Council that a cost of service study is divided into two parts. One part is financial planning where the organization projects several years into the future. The second part are the cost of rates for utility services. He is seeking Council’s feedback prior to finalizing the rates in a manner that is most equitable. Today, Mr. Ross is sharing financial planning.

He started with electric and distributed a pro forma to Council. Mr. Ross went through the electric pro forma in detail because the same structure is applied to wastewater and water. NMPP uses utility-based accounting, which projects five years out for the capital-intensive services. Mr. Ross and Council regularly referred to the pro forma. He stated that the country is in an inflationary period, resulting in higher costs of services and capital infrastructure. He highlighted that Gunnison and its power supplier are in a better financial standing than five to eight years ago. He also explained that Gunnison receives federal hydropower from Western Area Power Administration (Western/WAPA), which on average costs \$1.24/kilowatt; however, there currently is a short supply of water. Effective December 1, 2021, the water allocation that Gunnison receives will decrease by a third. The cost of hydropower will increase to \$3.8/kilowatt, equating to an additional amount of \$200,000, which the energy supplier will supplement.

The three areas that NMPP looks at to determine if a rate increase needs to occur are: 1) net operating income, 2) debt coverage ratio, and 3) cash flow. Mr. Ross reviewed Gunnison’s

Minimum Cash Reserve Policy, which is important to have in place to maintain consistency and financial security, as staffing and administrations turn over. This is self-governing, but it for the benefit of the municipality. The structure of the cash reserve policy is the same for all the utilities. Gunnison's electric department has \$1,946,508 in its Minimum Cash Reserve Policy. This amount could pay the power bill for six months. As a growing community, Gunnison should understand and plan for investments in new infrastructure and replacement of outdated infrastructure depending on the kind of new developments that may occur and the expected return on those developments. Overall, climate has the largest impact on utility demand.

Councilor Freeburn asked about the impact renewable energy sources has on the rates. Mr. Ross responded that as Gunnison begins to incorporate more renewables into its portfolio, it will become a more efficient customer and both its revenues and expenses will decrease. Mr. Ross pointed out that adding in more renewables to Gunnison's portfolio will result in some upfront costs to the infrastructure and technology.

The discussion transitioned to MEAN's coal centers for power production. Mr. Ross shared that MEAN's coal centers are primarily newer and meet all environmental regulations. MEAN's older coal centers do have administration oversight and there is pressure to decommission them in the future. MEAN has purchase power in the older centers and little ownership in them.

Before today and because of the lack of available hydropower, the recommendation for electric rates was going to be a 5% increase. Based on the staff's discussion with Mr. Ross and with consideration to wastewater, refuse and water rates, NMPP is now recommending a 3% increase for electric rates for 2022, which would start with the April 10 billing cycle.

Mr. Ross transitioned the discussion to wastewater and sewer. He reminded Council that the sewer pro forma is structured the same way as electric, but the sewer pro forma does include debt and the debt coverage ratio at 1%. One of the focuses related to sewer issues was examining the differences between rates of City and County (Dos Rios, North Valley, and Tomichi Heights) residents. The suggested plan is to adjust the rates for County residents to get them more in-line with City residents rates to increase equity. Sewer rates would not be increased for City residents. It was also suggested that the City consider increasing capital investment fees in order keep up with inflation and to support infrastructure for community growth. Gunnison's current capital investment fees are out-of-date, and it is suggested that the fees be paid by a developer who would be building free market units. As an incentive to create deed-restricted units, the fees would remain the same at \$2,500 for a water tap and \$5,000 for a sewer.

The third topic regarding rates was water. Mr. Ross mentioned again that NMPP used the same rate structure and financial planning. He took a moment to praise City staff for their thorough collaboration in this process. Gunnison's fee structure for water is the most antiquated out of the three discussed today. For the coming year, the recommendation was to increase water rates by 9.7% to have a financial net income, a healthy financial reserve, and an ability to invest in capital needs for the growth. Because water is such a valuable and delicate resource, it is important that the City invest appropriately in it. To balance the 9.7% increase in water rates, the recommendation was to only increase electrical 3% and have no percentage increase on sewer rates. City staff already recommended a 5% increase for refuse. He further explained that a 9.7% increase on 3,000 gallons of water equates to an additional \$1.80/month. These combined rate increases result in an additional \$6.82/month for the customer. As with sewer, there would be no change to tap fees for water on deed-restricted developments. The recently completed Water Master Plan highlighted issues regarding the water quantity and the infrastructure needed to preserve water quality.

Based on questions and concerns expressed by councilmembers, it was confirmed by Mr. Ross that he and staff worked diligently and examined many different scenarios to recommend the lowest rate of increases possible, but still be able to fiscally and responsibly execute services and plan for growth and infrastructure. Customers can better understand and take on smaller increases over time rather than experience rate spikes every few years. Councilor Logan mentioned that there should be awareness about the reality that rates need to be increased to preserve and maintain infrastructure, but most residents' salaries or hourly wages are not increasing at this same percentage, or at all. She expressed appreciation for not increasing tap fees on deed-restricted units,

but expressed some concern about increasing tap fees on free-market units because the costs rise so quickly due to Gunnison's geographic location, and because of the cost of getting supplies and labor in and out of the area. The water and sewer superintendent explained that the thought behind the increases on tap fees should be focused on new growth and not on residents, and to equalize County rates with City rates. ADU tap fees will remain the same to encourage density and to connect to existing infrastructure. Mr. Ross stated that there will be financial needs for water for many years to come. Sewer will be moving into a maintenance period and debt service in the coming years. Council directed NMPP and staff to design the cost of service rates for electric, water, and wastewater based on the financial planning Mr. Ross presented during this Regular Session meeting.

**“Good Deed” Deed Restrictions and Housing Discussion.** Community Development Director Anton Sinkewich, local housing consultant Willa Williford, and Gunnison Valley Regional Housing Authority Director Jennifer Kermode came before Council to present the “Good Deed” housing program and how it could be applied to Gunnison. Director Sinkewich stated that the “Good Deed” Deed Restricted purchase program is intended to maintain and preserve the Gunnison and Valley housing stock for residents and local employees. Mrs. Williford will also be speaking with the Valley Housing Fund later in the week to discuss matching funds for this program. This program started to be developed in 2020 with gathering information from communities such as Breckenridge and Vail, which have similar programs. In 2021, the focus has been developing the program's framework and sharing the concept throughout the Valley. Fundraising efforts have started to occur. In 2022, the plan is for the program to begin. The mission of this program is to help secure long-term housing stock already in the community. The only new construction part of the program will be Accessory Dwelling Units (ADUs). The intention is to get people into homes or for them to be able to afford to stay in their homes.

A power point listed the program's goals. Mrs. Williford added that different financial contributors of the program can invest in ways that they believe would make the biggest impact in their community since the framework provides multiple options for the use of the funds. Mrs. Williford clarified that funding from this program could be used to help buy down the financial needs of building a new ADU or could go toward renovating a portion of a home into an ADU. The ADU would become deed-restricted housing. To be eligible for deed-restricted housing, the resident/buyer would have to earn 80% of their income in the valley, live in the unit year-round, and if appropriate meet the retiree definition. Short-term rentals would not be eligible for participation in the program.

Director Kermode and Mrs. Williford shared scenarios where the units could be placed under rent control. Individual situations could be agreed upon to meet the needs of the property owner and program. The GVRHA will be monitoring the deed-restricted units. The deed restriction stays with the unit in perpetuity. The program would work diligently with renters or owners to avoid a property going into foreclosure. Under the administration of the GVRHA, there are actions in place that could likely avoid those occurrences, such as a Notice of Lien. The program could work through a few challenging situations. Putting a deed restriction on housing or an ADU would require some risk tolerance by the property owner. It is the responsibility of the property owner, with assistance from the GVRHA, to be aware of the risks and benefits.

The geographic location for eligible participants was decided to be the RTA service area (HYW135) and unincorporated areas where subdivisions could be developed. This area ranges from Mt. Crested Butte down to Gunnison, and by a half of a mile on both sides of the road. Council suggested that the program look at including the Three-Mile Area surrounding Gunnison, rather than just half of a mile to assist with planning purposes and for consistent management in the future.

The program intentionally made the types of properties that would be eligible wide-ranging for maximum participation. Ideal units are in walkable neighborhoods, close to parks and other amenities. This program also helps with down payment assistance for a buyer. For example, someone who has found a place they want to live in and can qualify for the loan but needs help with the down payment in exchange for making it a deed-restricted property.

The discussion transitioned to financing the program. The goal for the first year of the program would be to acquire six units. The cost for investing in those units would range from \$350,000 to \$700,000. An estimated investment in individual properties in Gunnison would range from \$20,000 - \$30,000 or 10%-15% of the market assessed value of the property. The program has received a financial commitment of \$100,000 from Mt. Crested Butte and Crested Butte and a soft commitment of \$200,000 from the Valley Housing Fund. Each financial contributor can put parameters on how it wants their funding to be used. If Council decided to contribute, it would come from their 2022 Strategic Fund. It was suggested that the Valley Housing Fund make a February deadline for a financial match.

A discussion occurred involving more specific examples of how this program would be used in the future. The discussion topics included the possibility of putting a price cap on a property to decrease the impact of an equity gap as market prices continue to increase. One possible way to address this situation is for the program to offer the owner more money at the time of purchase in exchange for a price cap. Program management needs to discuss and decide how many times someone could access the program. Another scenario that program management needs to discuss is whether or not mobile homes or manufactured homes would be eligible for the program, if the unit was on a permanent foundation. Housing that is already identified as a deed restricted through another program, like Habitat for Humanity, is not eligible. The program is recommending that in most cases an owner receive 10%-15% of the property's total assessed value listed on the County's assessor's website rather than the appraisal value. Jennifer Kermode will be the point person for the program. A committee of funders will be created. The GVRHA will oversee monitoring of the deed restrictions and compliance. Council directed staff to develop a proposal for making a financial contribution to the "Good Deed" Program in 2022 from its strategic funding and define parameters for how Gunnison's funding would be used within the program.

**Council went into recess at 7:30 p.m. and returned to the Regular Session at 7:46 p.m.**

**Authorization to apply for the Peace Officers Behavioral Health Support and Community Partnerships Grant Program.** City Manager Forrest stated that staff is requesting a motion to authorize the Police Department to apply for a behavioral health support and community partnerships grant. This grant would help support officers after a traumatic event using a peer-counseling program and access to therapists, when needed. This grant does not have a match requirement from the City. Councilor Freeburn moved and Councilor Logan seconded the motion to authorize staff to submit an application to DOLA's Peace Officers Behavioral Health Support and Community Partnerships Grant Program.

Roll call, yes: Gelwicks, Logan, and Freeburn. So carried.

Roll call, no: None.

**Ordinance No. 12, Series 2021, First Reading:** *An Ordinance of the City Council of the City of Gunnison, Colorado, Adopting an Additional Appropriation for the Fiscal Year Ending December 31, 2021.*

Councilor Logan introduced Ordinance No. 12, Series 2021, and read it aloud by title only. Councilor Logan moved and Councilor Freeburn seconded the motion to adopt Ordinance No. 12, Series 2021, on first reading. No discussion occurred.

Roll call, yes: Logan, Freeburn, and Gelwicks. So carried.

Roll call, no: None.

**Ordinance No. 13, Series 2021, First Reading:** *An Ordinance of the City Council of the City of Gunnison, Colorado, Setting a Tax Levy for the City of Gunnison, Colorado.*

Councilor Freeburn introduced Ordinance No. 13, Series 2021, and read it aloud by title only. Councilor Freeburn moved and Councilor Logan seconded the motion to adopt Ordinance No. 13, Series 2021, on first reading. No discussion occurred.

Roll call, yes: Freeburn, Gelwicks, and Logan. So carried.

Roll call, no: None.

**Ordinance No. 14, Series 2021, First Reading:** *An Ordinance of the City Council of the City of Gunnison, Colorado, Adopting and Appropriating an Annual Budget.*

Councilor Logan introduced Ordinance No. 14, Series 2021, and read it aloud by title only. Councilor Logan moved and Councilor Freeburn seconded the motion to adopt Ordinance No. 14, Series 2021, on first reading. Finance Director Cowan explained that changes to service rates will occur on the revenue side and the expenditures are not adjusted. Approval of rate changes are scheduled to occur in a separate action. The first and second readings for water, sewer, and refuse are tentatively scheduled for December 7 and December 14. A new electric rate is planned to be effective for the April 10 billing cycle and after the peak of the heating season. New electric rates require a public hearing after 30-day notice.

Roll call, yes: Gelwicks, Logan, and Freeburn. So carried.

Roll call, no: None.

**Resolution No. 24, Series 2021:** *A Resolution of the City Council of the City of Gunnison, Colorado, Amending Resolution No. 23, Series 2021, Finding that the Annexation Petition Filed by the City of Gunnison, Rocky Mountain Christian Ministries, and Gunnison Secure Storage, LLC, for the Annexation of Three Parcels of Land Totaling 11.93 Acres, More or Less, of Land Adjacent to the Boundaries of the City of Gunnison if Annexed in order, is in Substantial Compliance with the Requirements of State Law; Setting Forth Finders of Fact Relating Thereto and Setting a Public Hearing Upon Said Petition for Annexation.*

Councilor Logan introduced Resolution No. 24, Series 2021, and read it aloud by title only. Councilor Logan moved and Councilor Freeburn seconded the motion to adopt Resolution No. 24, Series 2021. The public hearing for the property was originally set for December 14, 2021. However, staff realized that the posting for the public hearing requires 30 days and not 15 days; therefore, this resolution changes the public hearing date to January 11, 2022.

Roll call, yes: Logan, Freeburn, and Gelwicks. So carried.

Roll call, no: None.

**Resolution No. 25, Series 2021:** *A Resolution of the City Council of the City of Gunnison, Colorado, Rescheduling the December 28, 2021, Regular Session Meeting for December 7, 2021.*

Councilor Freeburn introduced Resolution No. 25, Series 2021, and read it aloud by title only. Councilor Freeburn moved and Councilor Logan seconded the motion to adopt Resolution No. 25, Series 2021. No discussion occurred.

Roll call, yes: Freeburn, Gelwicks, and Logan. So carried.

Roll call, no: None.

**Staff, Western Liaison KC Wenlez, and Council gave brief reports.** City Manager Forrest shared with Council that three police officers are on administrative leave as a result of the incident that occurred on Thursday night, November 11, 2021, at GardenWalk. The lottery process for the first round of deed-restricted housing at Lazy K will be advertised in Thursday's paper. Discussion occurred about the mural on the south side of the building at IOOF Park. The Mural Committee will be meeting with four finalists as the next step in the process. Any changes to the mural needs a public input meeting.

**With no further business before Council, the Mayor adjourned the Regular Session at 8:16 p.m.**

Attest:

*E. Baucher*

City Clerk



*Jim Gelwicks*  
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 Mayor