



February 2024

**Town
Administrator's
Report**



**5th & Grand
Realignment Project
*"Safe Pathways for
Paonia"***

**2MG Finished Water
Tank Relining
Project**

**Water Capital
Improvement Plan
Phase I (SRF Loans)**

5th Street & Grand Avenue Realignment

“Safe Pathways for Paonia” with Funding from CDOT through the Revitalizing Main Streets (RMS) Grant Program

Construction Schedule is to be Revised due to CDOT Design Requirements and an Increase in Probable Cost of Construction from \$1,040,774 to \$2,524,500

On May 30, 2023, the interim Town Administrator received a Memorandum from the Town’s Design Engineer, SGM, on what would be necessary to upgrade the plans and engineer’s estimated cost of construction to fit into the requirements of CDOT for an off-system roadway that also qualifies for grant funding. During the June 27, 2023, Board Meeting, the Task Order Agreement from SGM was approved unanimously. The minutes from that meeting showed that there was concern about the costs increasing due to possibly inadequate geotechnical engineering reports available, and storm drain engineering.

After a meeting between CDOT, the Town and SGM, the full scope of work was determined for the project. During the meeting, CDOT announced that it would require the Town to go through the CDOT Local Agency process, even though the intersection is for an off-system roadway. This means that all CDOT standards, policies and procedures must be followed. As a result of that meeting, the scope of work changed significantly for SGM, and the Town Administrator received a Change Order request on August 11, 2023.

During the August 22, 2023, Board Meeting, the Trustees unanimously accepted SGM’s change order for a total not-to-exceed contract price of \$148,534.00. These design costs are not associated with the total expected cost of the construction of the project. The change order covered all CDOT’s requirements, including Project management due to the extension of time required to get CDOT approval; Subsurface Utility Engineering (SUE); Geotechnical Investigations; Environmental Clearances; and Increased Engineering Design.

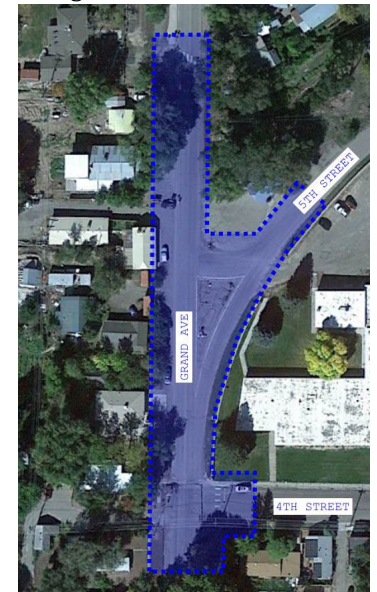
Since October, the Town has had regular meetings with SGM’s design team that have uncovered numerous conflicts

with existing utilities and irrigation ditches that must be considered in design.

During the first project coordination meeting on October 10, 2023, additional utility coordination was identified as being necessary for a successful project. In the project scope area, among Paonia water and sewer utilities, SUE identified existing Town stormwater utilities, Black Hills Energy main lines,

and a conflict with the Paonia Ditch Company that needs to be considered in design. During the November 8, 2023, project coordination meeting, the Town asked that SGM plan on having a Public Open House after the 30% design meeting with CDOT to discuss the project with project stakeholders – those that will be impacted by construction of the project. The Town also identified a Fire Hydrant within the project at the end of its useful life that will also be replaced. By the December 5, 2023, meeting, the Town had acquired the right of way necessary for the realignment from the Delta County School District and continued working to secure the right of way from Delta County.

On January 2, 2024, the Town held another project coordination meeting in preparation of the FIR meeting with CDOT on January 10, 2024. During that meeting additional survey was required for design and a change



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order would be necessary from Wilmore and Company Land Surveying. The Paonia Ditch Company had been contacted to schedule a coordination with the Town.

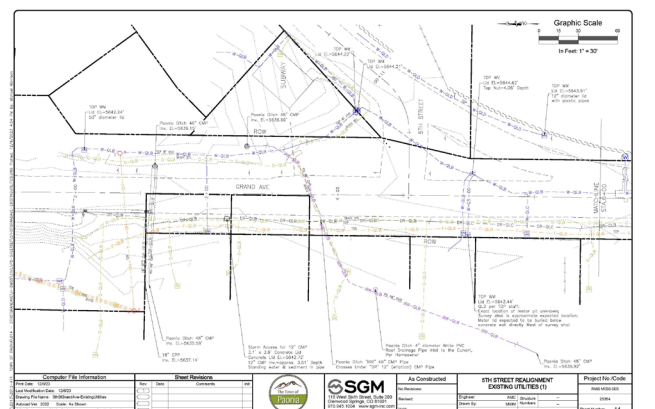
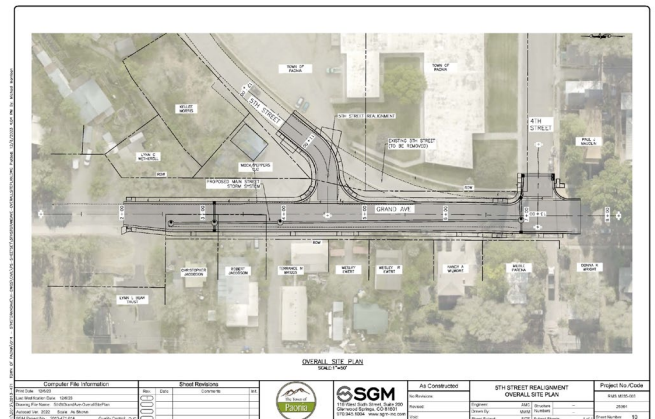
On January 10, 2024, the Town attended a meeting with CDOT for the Field Inspection Review (FIR) Meeting. During the meeting SGM gave an updated estimated probable opinion of cost for construction of \$2,524,500.00 which included Construction Management and Materials Testing, both of which will be necessary for a successful project. Since the CDOT grant does not include reimbursement for design engineering, the total cost of design (\$148,534.00) is wholly borne by the Town.

CDOT granted the Town \$1,010,592.00 in grant funding from the Revitalizing Main Streets (RMS) program to go towards the project. The agreement with CDOT for the grant funds includes a clause that states, “If project costs, overrun, exceeding the grant award and committed match, those funds are the responsibility of the Town of Paonia, no additional RMS grant funds are guaranteed for your project.” The Town must come up with the additional \$1,513,908.00 even though the additional work was required by CDOT as a condition of being allowed to go to construction. The total amount that the Town is responsible for is \$1,662,442.00 and includes the project cost overrun and the cost of design engineering.

In response to the project cost overrun, the Mayor has looked for alternatives to funding the project and has begun working on a RAISE grant with the FHWA. During a meeting with CDOT executives on February 8, 2024, the Town learned that alternative funding could come from the Safe Routes to School program, but the Right of Way from Delta County must be acquired first. The Town will

continue to seek out funding opportunities to ensure that the project is funded and that a safe pathway from Town center to the River Park and the Paonia K-8 school is achieved. During the Fall and Spring students from the North Fork School of Integrated Studies routinely use the intersection to access the Town’s River Park. This means that the intersection is utilized regularly by two different schools and desperately needs improvement.

As Design continues and funding is sought, it will continue to be tracked through the Departmental Scorecard and within Town Administrator Reports. **All project coordination meetings are attached to this report as Attachment A.**



2MG Finished Water Tank Relining Project

Lamborn Water Treatment Plant Relining Project – Phase 1 of the Water Capital Improvement Plan Utilizing Drinking Water Revolving Fund Loans

The Town prioritized projects relative to addressing the issues found within the water moratorium, and one of the most pressing issues is with the storage of finished water with the two-million-gallon tank at the Lamborn Water Treatment Plant. The Town's water engineers, RESPEC, formerly known as JDS-Hydro, has been working with SGM to design a relining and repair of the interior of the tank that may extend the tank's useful life an additional fifty years.

The process for obtaining State Revolving Fund loans through the Drinking Water Revolving Fund is cumbersome and requires expertise to complete an application. RESPEC completed a Project Needs Assessment (PNA) that was submitted to the Colorado Department of Public Health & Environment (CDPHE) on November 17, 2024, for their review and approval. The PNA was still under administrative review as of February 13, 2024. As a piece of the PNA and 20-year cashflow analysis was completed by this office and based on the cost and volume of projects a rate increase schedule was generated.

On December 12, 2023, the Board of Trustees approved a 5-year incremental rate increase to help build required reserves and capital for repaying anticipated SRF loans. Phase I of the PNA identified three major components that are necessary to keep the drinking water system in good repair and operation. The first subphase of Phase I is relining the 2-MG finished water tank.

RESPEC and Town staff identified relining the water tank as the highest priority since the Town's entire drinking water is currently supported and stored within this tank. The tank needs to be relined due to corrosion from normal wear and tear. Temporarily removing the tank from service will require a temporary tank to be installed to ensure an uninterrupted drinking water service delivery.

Due to the necessity of a temporary storage tank, additional land will be required at the Lamborn facility, and the Town

has begun discussions with the adjacent property owner to acquire the property. The Public Works Director is handling the paperwork necessary to begin the process with the county to subdivide the property for the purchase.

The Town explored alternatives to acquiring more property, including leasing space in a hay field below the existing water tank. The alternatives were proven to be



expensive and were only temporary solutions that also required rehabilitation of the property after the temporary tank was removed. Phase III of the Water Improvement

Plan requires the construction of a second finished water storage tank at the Lamborn Water Treatment Plant. Acquiring the property during Phase I to house the temporary storage tank made the best fiscal sense and planned for future phases.

On October 24, 2023, the Town presented to a panel for EIAF Grant funding to assist with supplementing the budget to pay for the tank relining project. On November 8, 2023, the Town was awarded \$956,000 to assist with the project through an Energy/Mineral Impact Assistance Fund (EIAF) Grant. As a condition of the award, the FY-2022 Audit must be received by the state prior to the release of funds, and ideally by January 31, 2023. Although the FY-2022 Audit is nearing completion, it is not complete. On January 31, 2024, the Town Administrator submitted a letter titled, "Consideration of Recission of EIAF 9721 Grant," due to the audit being incomplete. As of February 13, 2024, DOLA has not rescinded the grant, and the Town continues to make progress on the FY-2022 Audit.

The PNA and EIAF award are attached to this report as Attachment B.

FY-2022 AUDIT

The Town has been working with Hinkle & Company, PC to complete the FY-2022 Audit that was due June 30, 2023

Each year Colorado Municipalities are required to provide an annual audit within six months after the close of the fiscal year, meaning by June 30th. By the Time the Town Administrator had been appointed on July 11, 2023, the audit was already late by twelve days. On August 8, 2023, the Town requested an audit extension that was denied by the State Auditor's office.

Before filing for the extension, the Town was informed that their previous auditor, Chadwick, Steinkirchner, Davis & Co., P.C., closed their audit division. The closure of the previous audit company necessitated that the Town solicit a new auditor. On August 16, 2023, the Town published a Request for Proposal (RFP) for audit services through the online platform, bidnetdirect.com. To give CPA firms enough time to reply, the RFP closed on September 14, 2023.

The Town held a special meeting on September 18, 2023, and approved the sole bid for the RFP, from Hinkle & Company P.C. to complete the FY-2022 audit and become a client until FY-2026. The RFP also had three declinations to bid from KPMG, DWC, and SDP.

Since early November, the Town has provided documentation to Hinkle & Company, PC to assist with the audit. As of January 31, 2024, the draft of the audit was sent to the partners of the firm for final review. The town was provided with a draft of the FY-2022 audit on February 8, 2024, to assist in completing the Management Discussion and Analysis (MD&A) letter, but the MD&A can't be completed until numbers are finalized.

As of February 8, 2024, DOLA has authorized the withholding of funds due to the incomplete FY-2022 audit. DOLA has withheld funds from the Conservation Trust Fund (CTF) for most of FY-2023, and even though reports have been filed for 2023 and 2024, those funds won't be released until the state receives the audit. Further \$97.38 in funds

have been withheld from the Road and Bridge Fund; and \$77,611.47 have been withheld from sales tax distributions and Public Safety Improvements (PSI). The Town anticipates that those funds will be released once the state has received the Town's FY-2022 Audit.

Until the audit is complete, the Town will not be eligible for additional funding from grant and loan programs. The Town Administrator's office, Professional Management Solutions, and the Clerk's office have been instrumental in providing documentation to the auditors with an average twenty-four hour, or better turnaround time.

Due to the inordinate amount of work to complete the FY-2022 audit, the Town's third-party bookkeeper and auditors will not be able to begin the FY-2023 audit until June. Knowing this information, the Town Administrator will bring an extension request to the Board of Trustees in March to send to the State Auditor's office well in advance of the June 30, 2024, deadline.

Capacity and workload are issues for the Town Hall, and changes to personnel and staffing are necessary. While researching and collecting information for the auditors, challenges were identified within the meter data that need to be corrected and are an indicator as to why manual reads of some meters are still necessary. An internal audit of water meters is required to ensure data integrity and will take approximately 18 months beginning in March 2024.



The Town of Paonia was represented in the PK-8 dodgeball tournament by two members from each department: Administration, Public Works, and the Police Department.