

MINUTES¹
FOURTH REGULAR JOINT QUARTERLY MEETING OF THE
BOARD OF DIRECTORS OF THE
COLORADO RIVER WATER CONSERVATION DISTRICT
AND OF THE COLORADO RIVER WATER CONSERVATION DISTRICT
ACTING BY AND THROUGH ITS COLORADO RIVER WATER PROJECTS ENTERPRISE

October 16-17, 2018

Pursuant to notice duly and properly given, the Fourth Regular Joint Quarterly Meeting of the Board of Directors of the Colorado River Water Conservation District (CRWCD) and of the Colorado River Water Conservation District acting by and through its Colorado River Water Projects Enterprise was held on Tuesday and Wednesday October 16-17, 2018 at the offices of the Colorado River Water Conservation District, 201 Centennial Street, Glenwood Springs, Colorado.

Directors present during all or part of the meeting:

Tom Alvey, President	David H. Merritt, Vice President
Mike Ritschard	Steve Acquafresca
William S. Trampe	Tom Gray
Martha Whitmore	Karn Stiegelmeier
Doug Monger	Alden Vanden Brink
Kathy Chandler-Henry	Rebie Hazard
Marc Catlin	John Ely

Directors not present during the meeting:

Stan Whinnery

Others present during all or part of the meeting:

Andy Mueller, General Manager, CRWCD
Peter Fleming, General Counsel, CRWCD
John Currier, Chief Engineer, CRWCD
Chris Treese, Manager, External Affairs, CRWCD
Jason Turner, Senior Counsel, CRWCD
Audrey Turner, Administrative Chief, CRWCD
Ray Tenney, Deputy Chief Engineer, CRWCD
Ian Philips, Chief Accountant, CRWCD
Jim Pokrandt, Director, Community Affairs, CRWCD
Zane Kessler, Communications Director, CRWCD
Dave Kanzer, Deputy Chief Engineer, CRWCD
Don Meyer, Sr. Water Resources Engineer, CRWCD
Mike Eytel, Sr. Water Resources Specialist, CRWCD
Hunter Causey, Water Resources Engineer, CRWCD
Sonja Chavez, Water Resources Specialist, CRWCD
Denise Hussain, Records Administrator/Records Specialist, CRWCD
Martha Moore, Public Affairs Specialist, CRWCD
Alesha Frederick, Business Support Specialist, CRWCD
Luci Wilson, Accountant, CRWCD
Meredith Spyker, Administrative Assistant, CRWCD
Frank Kugel, Upper Gunnison River Water Conservancy District
Beth Van Vurst, Fairfield and Woods (via phone)
Bruce Whitehead, Southwestern Water Conservation District (via phone)

¹An audio recording has been made of the meeting. The motions described herein may not necessarily represent a verbatim transcription. The audio recordings are available for listening at the CRWCD offices during regular office hours. These minutes are the official record of the Colorado River Water Conservation District's meeting.

Orla Bannon, Western Resources Advocates
April Long, Ruedi Water and Power Authority
Kevin Lusk, Colorado Springs Utilities
Maria Pastore, Colorado Springs Utilities
Jeff Deems, University of Colorado
Terri Evans, Employers Council
Lain Leoniak, Colorado Attorney General's Office
Brent Newman, Colorado Water Conservation Board
Brent Gardner Smith, Aspen Journalism
Diane Johnson, Eagle River Water & Sanitation District
Bob Hurford, Water Division 4
Jason Ullman, Water Division 4
Brad McCloud, EIS Solutions
Steve Jameson, W. W. Wheeler & Associates
Ed Olszewski, Olszewski, Massih & Maurer, P.C.
Wade Cox, Rio Blanco Water Conservancy District
Tim Winkler, Rio Blanco Water Conservancy District
Dennis Webb, Grand Junction Sentinel
Jeff Rector, Rio Blanco County Commissioner
Peggy Rector, Rio Blanco Water Conservancy District

Quorum.

President Alvey found a quorum and called the meeting to order at 9:06 a.m.

Review Meeting Agenda and Objectives.

Peter Fleming requested the addition of agenda item 3.b.iv regarding the Amendment of CRCA to Replace Exhibit J with a new Exhibit J, and item 3.b.v., Designation of a Representative to the West Slope Fund Management Committee. Director Monger moved, seconded by Director Ely, to approve the agenda as amended. Motion carried unanimously.

Acceptance of Treasurer's Reports for June and July 2018.

Director Merritt moved, seconded, by Director Trampe, to accept the treasurer's reports and check registers for General, Capital Projects and Enterprise Funds for June and July 2018. Motion carried unanimously.

General Counsel's Report – Executive Session.

Peter Fleming reported that the following matters qualify for discussion in Executive Session pursuant to C.R.S. §§ 24-6-402(4)(b)(legal advice) and (e)(negotiations) and recommended that the Board invite members of the Southwestern Water Conservation District to participate in a portion of Executive Session:

- i. Colorado River Cooperative Agreement Implementation Matters.
- ii. Diligence Application of Colorado Springs Utilities, Case No. 15CW3019, Water Division 5.
- iii. Bunte Highline Ditch.
- iv. Colorado River District Project Development, Wolcott Project and Battlement Mesa Conditional Water Rights.
- v. 1975 Taylor Park Reservoir Exchange Agreement.
- vi. Colorado River Compact, Intra-State, Interstate, and International Negotiation Matters, including Drought Contingency Planning Negotiation Matters.
- vii. Eagle Park Reservoir Company Diligence Application for Pando Feeder Canal, Water Division 5. (An Enterprise Matter)
- viii. Eagle River MOU, Response to Homestake 90-day Notice. (An Enterprise Matter).

Director Whitmore moved, seconded by Director Trampe, to proceed into Executive Session pursuant to C.R.S. §§ 24-6-402(4)(b)(legal advice) and (e)(negotiations) and to invite Bruce Whitehead and Beth Van Vurst to participate in Executive Session for discussion of Agenda Item 3.a.vi. Motion carried unanimously.

Peter Fleming stated that no further record of the Executive Session need be kept based on his opinion that the discussion will constitute privileged attorney-client communications.

President Alvey reconvened into Public Session at 3:05 p.m.

General Counsel's Report – Public Session.

Peter Fleming reported that during Executive Session, the Board provided guidance to staff and General Counsel on the following matters:

- i. Colorado River Cooperative Agreement Implementation Matters.
- ii. Diligence Application of Colorado Springs Utilities, Case No. 15CW3019, Water Division 5.
- iii. Bunte Highline Ditch.
- iv. Colorado River District Project Development, Wolcott Project and Battlement Mesa Conditional Water Rights.
- v. 1975 Taylor Park Reservoir Exchange Agreement.
- vi. Colorado River Compact, Intra-State, Interstate, and International Negotiation Matters, including Drought Contingency Planning Negotiation Matters.
- vii. Eagle Park Reservoir Company Diligence Application for Pando Feeder Canal, Water Division 5. (An Enterprise Matter)

Director Merritt moved, seconded by Director Trampe, to confirm the Board's intent to maintain the conditional portion of the Wolcott Pumping Plant and Pipeline and Wolcott Reservoir water rights and direct staff to take steps necessary to complete the appropriation in a reasonably expedient and efficient manner, consistent with Colorado law, and direct counsel and staff, in consultation with the Town of Gypsum, to file an application seeking a finding of reasonable diligence for the conditional portions of the Wolcott Pumping Plant and Pipeline and Wolcott Reservoir water rights. Motion carried unanimously.

Director Whitmore moved, seconded by Director Ritschard, to direct counsel and staff to file a notice of intent to abandon the River District's 77.5 % interest in Buzzard Creek Dam and Reservoir and Owens Creek Reservoir water rights as well as its 100% ownership interest in the Colorado Canal, Brush Creek Canal, and Harrison Canal water rights. Motion carried unanimously.

Director Acquafresca moved, seconded by Director Whitmore, to authorize the Colorado River Water Conservation District, acting by and through its Colorado River Water Projects Enterprise, as a shareholder in the Eagle Park Reservoir Company, to be a co-applicant in the Application for Reasonable Diligence for the Pando Feeder Canal water right owned by the Eagle Park Reservoir Company. Motion carried unanimously. (An Enterprise matter).

Director Trampe moved, seconded by Director Catlin, to approve a Memorandum of Understanding among the Learning by Doing Management Committee member entities regarding governance. Motion carried unanimously.

Director Stiegelmeier moved, seconded by Director Whitmore to approve a proposed amendment to the Colorado River Cooperative Agreement to replace Exhibit J to the CRCA with a revised version of Exhibit J. Motion carried unanimously.

Director Gray moved, seconded by Director Trampe, to designate Andy Mueller as the River District's representative to the West Slope Fund Management Committee replacing Eric Kuhn and to designate Peter Fleming as the alternate to Mr. Mueller. Motion carried unanimously.

Director Acquafresca moved, seconded by Director Whitmore to approve an amendment to the Grand Valley Common Interest Cost-Sharing Agreement extending the agreement to December 31, 2019. Motion carried unanimously.

Presentation on NASA-sponsored Airborne Snow Observatory by Dr. Jeffrey Deems.

Dr. Jeffrey Deems provided an overview of the current activities and goals of the airborne snow observatory as well as future projects. A major objective is to improve water supply forecasts that in turn could lead to improvements in water planning and management.

Presentation on Colorado Springs Utilities Integrated Water Resource Plan by Kevin Lusk.

Kevin Lusk, principal engineer for Colorado Springs Utilities (CSU), reviewed the history and structure of CSU's water supply system and provided a summary of CSU's Integrated Water Resource Plan (IWRP) that was completed in 2017. The purpose of the IWRP is to prepare a road map for CSU's future water resources planning and management strategy for the next 50 years. The IWRP integrates water supply planning, conservation, reuse, and environmental, social and political factors to meet future water challenges in CSU's current and future service area.

General Manager's Report.

Drought Contingency Planning and Demand Management Update:

Andy Mueller updated the Board on recent events surrounding drought contingency planning and demand management. The Upper Colorado River Commission's draft Drought Contingency Plan (DCP) documents were recently released and are currently being reviewed by staff. Several Board and staff members attended a Colorado Water Conservation Board (CWCB) meeting in Steamboat Springs on September 19 and relayed the River District's position that federal legislation to authorize both the Upper and Lower Basin DCPs and a demand management program in Colorado are integrally connected, and demand management program water contributions must be voluntary, temporary and compensated. At a subsequent meeting, the CWCB directed its staff to draft a policy setting forth principles to guide the state in considering a demand management program.

Mr. Mueller went on to request Board discussion and direction on issues related to a demand management program. An extensive discussion by the Board, led to a reaffirmation of the River District's support for six principles (listed below) that the River District and Southwestern Water Conservation District sent to the CWCB and the State Engineer requesting that the State of Colorado commit to these principles during the creation and implementation of any demand management program. The Board also confirmed its support for an open, transparent, and public process for the creation of a demand management program.

1. The storage account in Lake Powell or other CRSPA initial units must be available without charge, used for the purpose of storing water created by managing consumptive uses under a Demand Management Program for the exclusive benefit of the Upper Division States to ensure compliance with Article III of the Colorado River Compact ("Upper Division storage account").
2. The Upper Division storage account must be exempt from coordinated operations between Lakes Mead and Powell. In other words, such an account should not be subject to equalization or balancing releases from Lake Powell.
3. Colorado's contributions to the Demand Management Program will be generated exclusively through voluntary, temporary and compensated contributions of water that was beneficially used under existing rights and otherwise would have depleted flows in the Upper Basin within Colorado

- prior to being conserved as part of that program. The conserved water would be stored and accounted for in the Upper Division storage account until it is determined by the Upper Colorado River Commission (UCRC) that release of the water is necessary for compliance with the Colorado River Compact. A demand management program will reflect proportionate contributions from each Upper Division state.
4. The creation, delivery, and use of the conserved water must not injure the water rights of others. Conserved water shall not be consumptively used by others within any Upper Division state.
 5. The Demand Management Program will be implemented to avoid disproportionate impacts to any single basin or region within Colorado. This means that water generated from Colorado under the Demand Management Program will be derived from water rights used on both sides of the Continental Divide and more specifically, in amounts that are roughly proportionate to those two regions' post-compact depletions from the Colorado River. The payments for water generated by demand management should be market-based within the area or market from which the water is generated, and recognizing different market values for water within the state, will not necessarily be proportionate between basins. No water user would be required to contribute conserved water for this purpose and no entity or person would be expected or required to contribute funds for this purpose. Contributions would also be subject to annual and cumulative volumetric caps.
 6. Colorado's participation in a Demand Management Program must be consistent with Principles 1 through 7 of the Conceptual Framework set forth in Colorado's Water Plan.

Employers Council Services Salary Survey.

Terri Evans of Employers Council Services presented the 2018 River District salary survey that is conducted triennially pursuant to the Board's policy. The purpose of the survey is to determine if salary ranges remain competitive and consistent with the District's compensation goals. Andy Mueller noted two areas of divergence from the historical practices of the River District contained in the survey. Director Ely moved, seconded by Director Chandler-Henry, to accept staff's recommendation to allow the discretion of the General Manager and General Counsel to use salary survey data to set the salary range midpoint for staff. Motion carried unanimously. A discussion ensued regarding the survey methodology as a whole and the Board's policy of paying at the 65th percentile, as well as the circumstances that led to that policy. Staff was directed to research the matter and report to the Board at a future meeting.

President Alvey recessed the meeting at 5:30 p.m.

Wednesday October 17, 2018

President Alvey found a quorum and reconvened the meeting at 8:31 a.m.

Division Engineer Updates.

Water Division 4 Engineer Bob Hurford reported that 2018 runoff was dismal throughout the Gunnison River Basin, and in some areas of the basin was the worst in 100 years. Mr. Hurford noted that the difference between the 2002 drought and 2018 drought was reservoir storage levels. The high reservoir levels in 2018 resulted in a somewhat successful irrigation year.

Budget Hearings.

President Alvey opened the 2019 budget hearings.

Andy Mueller reported that the budget notice was published in local papers and that copies of the budget were sent to each county to be posted and was available to the public at the district office and on the district's website. Comments were requested from the public on the River District website. No public comment was received.

Resolution for 2018 General Fund Budget Amendments:

Director Gray moved, seconded by Director Trampe, to adopt a resolution summarizing expenditures and revenues for the General Fund and adopting an amended budget for the Colorado River Water Conservation District, Colorado for the calendar year beginning on the first day of January 2018 and ending on the last day of December 2018. Motion carried unanimously.

Resolution to Adopt 2019 General Fund Budget:

Director Merritt moved, seconded by Director Vanden Brink, to adopt a resolution summarizing expenditures and revenues for the General Fund and adopting a budget for the Colorado River Water Conservation District, Colorado for the calendar year beginning on the first day of January 2019 and ending on the last day of December 2019. Motion carried unanimously.

Resolution for 2018 Capital Projects Fund Budget Amendments:

Director Merritt moved, seconded by Director Acquafresca, to adopt a resolution summarizing expenditures and revenues for the Capital Projects Fund and adopting an amended budget for the Colorado River Water Conservation District, Colorado for the calendar year beginning on the first day of January 2018 and ending on the last day of December 2018. Motion carried unanimously.

Resolution to Adopt 2019 Capital Projects Fund Budget:

Director Merritt, seconded by Director Chandler-Henry, to adopt a resolution summarizing expenditures and revenues for the Capital Projects Fund and adopting a budget for the Colorado River Water Conservation District, Colorado for the calendar year beginning on the first day of January 2019 and ending on the last day of December 2019. Motion carried unanimously.

Resolution for 2018 Enterprise Fund Budget Amendments:

Director Merritt moved, seconded by Director Hazard, to adopt a resolution summarizing expenditures and revenues for the Colorado River Water Projects Enterprise and adopting an amended budget for the Colorado River Water Conservation District acting by and through its Colorado River Water Projects Enterprise for the calendar year beginning on the first day of January 2018 and ending on the last day of December 2018. Motion carried unanimously.

Resolution to Adopt 2019 Enterprise Fund Budget:

Director Merritt moved, seconded by Director Hazard, to adopt a resolution summarizing expenditures and revenues for the Colorado River Water Projects Enterprise and adopting a budget for the Colorado River Water Conservation District acting by and through its Colorado River Water Projects Enterprise for the calendar year beginning on the first day of January 2019 and ending on the last day of December 2019. Motion carried unanimously.

Resolutions to Appropriate Sums of Money. (General and Capital Projects Funds):

Director Merritt moved, seconded by Director Stiegelmeier, to adopt resolutions appropriating sums of money to the various funds in the following amounts and for the following purposes, for the Colorado River Water Conservation District, Colorado for the 2019 budget year: General Fund 6,085,075, Capital Projects Fund, \$3,850,126. Motion carried unanimously.

Resolutions to Appropriate Sums of Money. (Enterprise Fund):

Director Merritt moved, seconded by Director Ritschard, to adopt a resolution appropriating sums of money to the Enterprise Fund in the following amount and for the following purposes, for the Colorado River Water Conservation District, Colorado for the 2019 budget year, Enterprise Fund, \$9,936,630. Motion carried unanimously.

Resolution to Transfer Unspent 2018 Balances:

Director Merritt moved, seconded by Director Trampe, to adopt a resolution to authorize and direct the transfer of monies to the Capital Projects Fund from the General Fund in the amount of revenues less expenditures in 2018 and an amount sufficient to cover expenses prior to the receipt of 2019 tax revenues. This resolution further authorizes and directs that the funds be transferred no later than December 31, 2018. Motion carried unanimously. (The resolutions are attached as Appendices A.-I.).

President Alvey closed the budget hearings.

Presentation of Rio Blanco White River Storage Project.

Director Vanden Brink provided a brief summary of hydrologic conditions in the White River basin and examples of shortages and impacts water users experience during dry years. The White River Storage Project studies were undertaken to determine a feasible storage project to alleviate future water shortages within the basin. The studies have concluded that Wolf Creek Dam and Reservoir would be the most economically and hydrologically viable option to provide necessary storage in the basin. Funding options are being explored and the timeline for the project has been projected to begin with the pre-permitting phase in 2019 and concluding with construction commencing in 2023. Support for the project was expressed by board members from the Rio Blanco Water Conservancy District, Rio Blanco County Commissioner Jeff Rector, and several River District board members.

A request was made for a partnership with the River District including a \$50,000 contribution for the pre-permitting phase, technical support from River District staff, peer review of White River PBO flow recommendations, and potential involvement in permitting. Director Trampe moved, seconded by Director Catlin, to direct staff to evaluate the request utilizing the District's project analysis rubric and report the results at the January 2019 quarterly board meeting. Motion carried unanimously.

External Affairs.

Information and Outreach Update:

It was reported that the River District's first webinar was successful with approximately 150 people connected to the webinar. It was also reported that the District's 15th annual water seminar in September had record attendance. Finally, the H2O Outdoors camp has been scheduled for October 23-25.

State Affairs:

Zane Kessler provided a summary of activities undertaken by three state legislative committees over the past several months. The Water Interim Committee requested ten bills be drafted, however, two were withdrawn, and four failed to garner the required committee support.

The Gallagher Interim Committee examined potential bills to address the negative impacts of the Gallagher Amendment on special districts dependent upon property tax revenues, such as the River District.

A proposed bill from the Wildfire Interim Committee would establish a Colorado fire commission under the Division of Safety.

Federal Affairs:

Chris Treese reported that a funding bill for the San Juan and Upper Colorado Recovery Programs for 2019 has passed.

General Manager's Report (Cont'd).

Update on Colorado Water Plan Funding Efforts:

Andy Mueller reported that funding options for Colorado's Water Plan are continuing to be explored. Possible revenue streams being discussed are container, lodging, and sports-betting taxes.

Service Anniversary Recognition:

Audrey Turner expressed the River District's appreciation to Meredith Spyker for her 10 years of service to the District.

Technical Staff Update:

Grand Lake Clarity Adaptive Management Update:

Mike Eytel provided an update on Grand Lake clarity and reported that modified operations of the C-BT Project in 2018 resulted in very little degradation of water clarity in Grand Lake.

Approval of Disbursement Variance for Gould Canal Improvement Project:

Director Monger moved, seconded by Director Merritt, to approve disbursing the full awarded grant amount of \$50,000 to the Fruitland Irrigation Company for its Gould Canal Improvement Project. Motion carried unanimously.

Debriefing on Drought Operations, Divisions 4, 5 & 6:

John Currier, Don Meyer and Dave Kanzer reviewed the drought year in the basins within the River District's boundaries. Extraordinarily hot and dry weather coupled with poor snowpack created historic drought conditions.

Recommendation Regarding Hiring of Auditor for 2018 Fiscal Year:

Director Whitmore moved, seconded by Director Trampe, to engage the firm of McMahan and Associates, LLC to perform the CRWCD 2018 audit. Motion carried unanimously.

Project Updates.

Wolford Mountain Reservoir (An Enterprise Matter):

Ray Tenney, John Currier, and Hunter Causey provided an update on the crest restoration project at Wolford Mountain Reservoir. Mr. Causey also discussed the Silver Creek wildfire close to the reservoir and outlined the potential negative impacts to Wolford. Staff will stay involved in meetings to discuss the mitigation efforts.

Directors' Basin Updates and/or Concerns.

Director Trampe remarked that Colorado River Compact curtailment issues would need to be addressed in water plan funding as well as for other compact compliance efforts throughout the state.

Director Acquafresca reported that the Grand Valley Water Users Association is hosting a symposium with the Attorney General's office to discuss demand management.

Future Meetings.

- a. First Regular Joint Quarterly Meeting, **January 15-16, 2019**, Glenwood Springs, CO.
- b. Special Joint Meeting Teleconference Meetings, **beginning February 7, 2019 (Bi-weekly)**.
- c. Second Regular Joint Quarterly Meeting, **April 16-17, 2019**, Glenwood Springs, CO.
- d. Third Regular Joint Quarterly Meeting, **July 16-17, 2019**, Glenwood Springs, CO.
- e. Fourth Regular Joint Quarterly Meeting, **October 15-16, 2019**, Glenwood Springs, CO.
- f. Other Meetings:
 - i. CRWUA Conference, **December 12-14, 2018**, Las Vegas, NV.
 - ii. Colorado Water Congress Annual Convention, **January 30-February 1, 2019**, Westminster, CO.

Personnel Review Matters.

Peter Fleming recommended that the following matters qualify for discussion in Executive Session pursuant to C.R.S. §§ 24-6-402(4)(f)(personnel):

- a. General Manager's Review.

b. General Counsel's Review.

Director Hazard moved, seconded by Director Trampe, to reconvene into Executive Session pursuant to C.R.S. §§ 24-6-402(4)(f)(personnel). Motion carried unanimously.

Mr. Fleming stated that the discussion of personnel matters would be recorded and retained for 90 days.

President Alvey reconvened into Public Session at 3:05 p.m.

Personnel Review Matters – Public Session.

Peter Fleming reported that during Executive Session the Board discussed the following:


- a. General Manager's Review.
- b. General Counsel's Review.

Director Merritt moved, seconded by Director Whitmore, to increase the General Manager's salary by 3.2% for 2019. Motion carried unanimously.

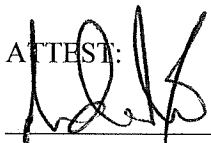
Director Merritt moved, seconded by Director Whitmore, to increase the General Counsel's salary by 3.2% for 2019. Motion carried unanimously.

Adjourn.

There being no other business before the Board, President Alvey adjourned the meeting at 3:10 p.m.



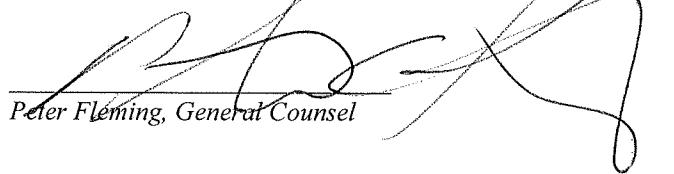
David H. Merritt, President

ATTEST:


Andrew A. Mueller, Secretary/General Manager

Executive Session Attestations.

I hereby attest that the portions of the Executive Session that were not recorded constituted privileged attorney-client communications.



Peter Fleming, General Counsel

