

**Upper Yampa Water Conservancy District
Board of Directors Meeting
February 10, 2016 1:30 PM
3310 clear water Trail, Steamboat Springs**

MINUTES

Chairman John Redmond called the meeting to order and declared a quorum present. In addition to Chairman Redmond, the Board members present were Stephen Colby, Tom Sharp, Doug Monger, Bob Woodmansee, Ken Brenner, Webster Jones, and Ron Murphy. General Manager Kevin McBride, District Engineer Andy Rossi, Office Manager Karina Craig, and General Counsel Bob Weiss were also present.

Members of the public present included Kelly Heaney, Water Resources Manager at the City of Steamboat Springs; Jackie Brown, Natural Resource Policy Advisor, Tri-State Generation & Transmission; Erin Light, Division Engineer, Colorado Division of Water Resources; Mark Rossi, Dean Rossi, Philip Rossi, and Bob Mattson, representing Crosho Lake Corporation; Todd Hagenbuch and Margaret Hagenbuch, land owners in South Routt.

Joining the meeting by phone were Nicole Langley, Transforma Research & Design, and Craig Ullmann, Applegate Group, working with Crosho Lake Corporation; Scott Fifer, President and Ashley Moffat, P.E., Resource Engineering; and David Hallford and Scott Grosscup, Attorneys, Balcomb & Green, PC.

The following agenda was proposed:

Agenda

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| (1) 1:30 pm Establishment of Quorum and Call to Order; | |
| (2) Approval of Agenda for Meeting; | action item |
| (3) Approval of the minutes of the November 18, 2015,
December 16, 2015, January 15, 2015 Board Meeting; | action item |
| (4) Public Input and Comment; | |
| (5) 1:45 pm Crosho Lake Grant Application | action item |
| (6) 2:00 pm Election of Board Officers | action item |
| (7) 2:15 pm Financial Report; | action item |
| a) Approval of Disbursements; | |
| b) Budget Comparison; | |
| c) Audit; | |
| (8) 2:30 pm Report from District Engineer; | |
| a) Reservoir Water Status | |
| b) Yamcolo Special Use Permit Update | |
| c) Facilities update | |

- i) Stagecoach Grazing Lease action item
- (9) 3:00 pm Report of the General Manager;
 - a) MSEC Salary Survey
 - b) Yamcolo Irrigators Association Contract Renewal
 - c) Board Member Applications
 - d) Elk River Augmentation Plan/Willow Creek ISF action item
 - e) Master Planning
 - i) Water Supply Plan
 - ii) Water Rights Master Plan
- (10) 4:30 pm Report from General Counsel;
 - a) Stahl Litigation
- (11) Executive Session with Bob Weiss, legal Counsel, under CRS § 24-6-402(4)(b) to discuss legal issues on Pending Water Rights Applications and Stahl Litigation. Mere presence or participation of an attorney at an executive session of the local politic body is not sufficient to satisfy the requirements of this subsection (4).
- (12) 4:55 pm New Business;
- (13) 5:00 pm Adjournment.

Meeting Agenda Director Sharp moved to approve of the agenda. Director Colby seconded the motion which was unanimously approved.

Meeting Minutes Director Sharp moved to approve the November 18, 2015, December 16, 2015 January 15, 2015 Board Meeting Minutes. Director Monger seconded the motion, which was unanimously approved.

Public Comment Kelly Heaney of the City of Steamboat Springs spoke to the Board about a Stream Management Plan the City is developing. Ms. Heaney discussed several topics, including waste water assimilation, aquatic life, instream flow measurement and water quality targets. This plan provides the City with an opportunity of being pioneers in the development of such a plan. The City of Aspen is working in a similar project.

Ms. Erin Light, Division 6 Engineer, stated her office would approve of municipal water being used for needs related to water treatment.

Water quality monitoring sites on the Elk River were discussed.

Croscho Lake Grant Application Mr. Mark Rossi spoke and made reference to the grant application Croscho Lake Corp. submitted to the District, asking for funds to support the replacement of outlet works at Croscho Lake Reservoir. The proposed project would replace the pre-compact outlet works structure, which was constructed in 1917 and is much deteriorated. The project is estimated to cost \$200,000 and \$16,000 are being asked of the District. Letters from other parties supporting the project were presented; from Colorado Parks and Wildlife, the Yampa White River Basin Roundtable, the Routt County Board of County Commissioners, the Town of Yampa, the Town of Oak Creek, and several businesses in representation of the Oak Creek business community.

Director Brenner inquired about any issues pertaining the Forest Service. Mr. Rossi stated Crosho Corp. had met with the Forest Service earlier in the week; additional documentation is being prepared for submittal to the Forest Service, and that barring any geological information issues, he did not foresee any problems in meeting the proposed project deadlines.

Director Monger asked Mr. Mark Rossi about the reason the dam engineer had deemed the project to be an emergency situation. Mr. Rossi responded water is presently leaking through the 1 inch thick cement vault. Director Redmond commented that the conduit being pressurized into the embankment does not meet the State Engineer's standards; the proposed replacement would bring a turn of the century construction to current standards. Mr. Ullmann stated the pipe has a hole and it cannot be lined. Director Sharp inquired and Mr. Rossi clarified, the pipe has to be fully excavated and replaced.

Director Monger inquired about the public benefit the project would bring, if any. Mr. Rossi spoke of wetland restoration, of benefits to the Oak Creek business community the well maintained reservoir brings, and of protecting fisheries. He commented the reservoir stores about 11 AF of water, it is located in an area of public access, and is frequently used by the public for fishing and camping.

Director Brenner suggested the Ditch Company build a reserve of savings for future capital improvement needs. Mr. Mark Rossi agreed. Mr. Dean Rossi spoke and stated the current repair needs had arisen suddenly.

Ms. Langley stated preliminary information regarding the Crosho project was presented at a Round Table meeting at the Yampa/White this week. She received an initial expression of support from the organization; a response is expected to follow after further review by their Board. She stated the grant request would also be reviewed later in March by CWCB.

Director Sharp inquired and Ms. Langley replied regarding the reimbursement process; Crosho would incur the costs first and submit reimbursement requests to grantees, such as CWCB and the District. The project budget was discussed. Director Monger suggested Crosho seek requests bids among local businesses for the construction work. Director Sharp inquired and Mr. Mark Rossi responded that if the project went overbudget, the cost would be borne by the Ditch owners.

Director Sharp made a motion to authorize the Crosho Lake grant and the disbursement of up to \$16,000 upon request of reimbursements of costs incurred for the Crosho Lake outlet work replacement. Director Brenner seconded the motion, which was unanimously approved.

Director Monger suggested Crosho Lake placed a plaque at the lake, in recognition to those contributing to the project at the recreation site.

Election of Board Officers

Director Sharp made a motion to re-elect the present District Officers for the ensuing year; Tom moved that officers re-elect for the ensuing year the executive officers as currently are, John Redmond, President; Doug Monger, Vice president; Kevin McBride, Secretary. Director Brenner seconded the motion, which was unanimously approved.

Director Sharp made a motion to re-appoint the current Executive Committee members; John Redmond, Doug Monger, Ken Brenner, Tom Sharp, and to add Web Jones. Director Monger seconded the motion, which was unanimously approved.

Financial Report The Cash Disbursement Report was reviewed and discussed. Ms. Craig reviewed the Budget Comparison report. 2015 year end power revenues include newly contracted power sales to YVEA. 2015 water sale revenues were higher than budgeted due to a Colorado Water Trust contract entered during the year. Expenditures were within budget. The US Bond was paid in full in 2015 and the District holds no long term liabilities. 2016 Power revenues reported included only January revenues.

Director Monger inquired about green power; Manager McBride stated Ski Corporation has expressed interest in purchasing and advertising green power from the District to use in the operation of a new gondola.

Director Monger moved to approve the disbursements reported and to accept the Budget comparison report. The motion was seconded by Director Colby and unanimously approved.

A preliminary meeting with the District's auditor to initiate the audit of 2015 financial statements was discussed; all directors were invited to participate; Director Monger volunteered.

Report from the District Engineer

Reservoir Water Status -

Engineer Rossi updated the board of directors on the current storage levels in Stagecoach and Yamcolo Reservoirs.

Yamcolo Special Use Permit Update –

Engineer Rossi presented a verbal update on the status of the Yamcolo Reservoir Special Use Permit (SUP). The UYWCD and the United States Forest Service (USF) are still discussing the specifics of the terms of a new long-term SUP. The UYWCD and USF

staffs appear to be in agreement on some of the flow requirements contained in the SUP. There are still some specifics of these requirements to be worked out.

Engineer Rossi will make a detailed presentation of the Yamcolo SUP at the next board meeting.

Facilities Update –

Engineer Rossi updated the board on the status of the planned stem guide replacement and repairs at Stagecoach Dam.

Engineer Rossi notified the board of a Functional Exercise of the Stagecoach Emergency action Plan to be held on April 1, 2016, at the Steamboat Springs Community Center.

Stagecoach Grazing Lease –

A memo was presented and discussed about the grazing lease for the “Sickles Place” area at Stagecoach State Park. As part of the conservation easement contract between the UYWCD and the State of Colorado, the UYWCD reserves the right to allow grazing on a portion of the conservation easement lands. The area where grazing is permitted is referred to as the “Sickles Place Property”. Two parties have expressed interest in obtaining the grazing lease from the UYWCD. The Colorado Division of Parks and Wildlife (CPW) has expressed interested in updating the grazing management practices for the grazing lease.

The UYWCD board supports staff researching options to support the continuation of grazing on that land and is in favor of a coordinated effort with land use agencies to develop an updated grazing management plan for the area.

The UYWCD postponed the decision on granting the grazing lease to any interested parties until the UYWCD staff has had a chance to confer with land use agencies on this matter.

Engineer Rossi will update the board on the status of the grazing lease at the next full board meeting.

Report of the General Manager

MSEC Salary Survey – Candy Siderius of Mountain States Employers Counsel, MSEC, joined the meeting by phone. Salary survey documentation was presented. Director Brenner motioned to delegate the salary survey and pay ranges review and decision to the Executive Committee meeting on February 19 2016 at 12:00 PM. Director Monger seconded the motion, which was unanimously approved.

Yamcolo Irrigators Association Contract Renewal-

Manager McBride made reference to the 1981 Yamcolo Irrigators Association (YIA) contract and price setting stipulations. A Yamcolo Reservoir Financial Report was presented. It included capital expenditures from 2012 to 2015, including an amortization

schedule; 2015 expenses and labor costs. A proposed 2016 price per acre foot of water was provided.

Counsel Weiss read language from the contract addressing basis to be used for pricing. Director Brenner suggested an emergency reserve ought to be considered for the reservoir future financial needs and water pricing. Director Sharp brought attention to contract pricing variables and constraints; discussed pricing based on capital reserves and actual expenditures, and advantages and disadvantages of long and short term contracts. Director Monger expressed agreement with the expenditure and pricing information presented. Manager McBride made reference to other District water contracts expiring in 2019 and mentioned a previously discussed possibility of developing staggered expiration dates for future contracts. Director Jones stated his opinion that the proposed \$12.33/AF price was very reasonable, and noted the pricing does not include overall monies invested in the reservoir, but just costs. Director Monger further commented the District has invested about \$300,000 in the reservoir in the recent past, monies not included in the calculation of the proposed price per acre foot.

Director Sharp made a motion directing District staff to notify and communicate the presented calculations and pricing to YIA, to designate Directors Brenner and Sharp as negotiating representatives with YIA, if YIA chooses arbitration. Director Monger seconded the motion; it was unanimously approved.

Board Member Applications –

Directors Colby and Brenner are in the process of re-applying for their seats at the Board. Manager McBride informed that so far no other applications have been received, including for Division 1. The application deadline is February 25 2016. . No applications have been received so far for Division 1. The deadline of application is Feb 25.

Elk River augmentation Plan/Willow Creek ISF –

A memorandum from Special Counsel Hallford regarding Willow Creek instream flow appropriations, as well as memorandum from CWCB discussing Instream Flow appropriation processes and 2016 timelines, were presented and discussed.

Master Planning: Water Supply Plan and Water Rights Master Plan–

Scott Fifer spoke and referred to a distinction between the Water Supply Plan, and the Water Rights Master Plan, each having its distinct focus.

The Water supply plan is used to define a path to serve water demands with the District's tools and facilities, water rights, legal water and actual water. It's not unlike the state water plan.

The Water Rights master plan provides us guidance on how to meet the identified demand with the water rights the District has, with the facilities it has, and to determine whether or not the District has enough water rights to meet those demands. It identifies shortages or

excess water rights. The obligations the District has under stipulation with the State Engineer and Division Engineer, Water Division 6, are of key importance. In a stipulation with The State Engineer's from the previous diligence case it was the District's commitment to respond, to look into the hydrology with detail and provide recommendations.

The District's Water Supply Plan incorporates results from state-wide studies; SWSI, the Basin Implementation Plan and detailed studies done by other agencies in our basin; several of them sponsored by the state. They cover the same time period as the District's Water Supply Plan, up to the year 2050. They provide a good base of data, which has been incorporated into the District's plan.

Mr. Fifer raised the question of what the water demand may be in our basin in the, what the shortages may be, where shortages would be located, and how the District may or may not be able to meet them.

Current and future municipal and industrial demands for Steamboat, Hayden, Craig and surrounding areas were discussed. A healthy growth in the region, and related increasing water needs, is predicted. Agricultural uses are expected to drive projected water shortages. Studies are showing future agricultural water needs will cause shortages in dry year sequences, and produce a ripple effect resulting in an administrative call. Mr. Fifer commented that water right allocation model, StateMod arrive to the conclusion that future agricultural demands will drive a future administrative call.

Mr. Fifer continued and referred to water demands by thermoelectrical plants. The State has stated current demands are at 12,000AF per year in Craig; they will escalate to 26,000 in the year 2050.

Director Monger inquired about the assumptions made to arrive to the thermoelectrical demands presented. Mr. Fifer responded he was not familiar with the specific assumptions. Director Monger stated his opinion a shortage has occurred for years, but the users have so far chosen not to trigger a call.

Mr. Fifer stated the shortages found by the model were found in baseline scenarios. Shortages would be more accentuated in drought years, and as administrative calls were made. All the demands in the District's model were for consumptive uses. Non consumptive uses are a big part of the state plan.

StateMod was used by both the District and State Water supply Plan. The District helped fund the incorporation of paleodata, approximately 1200 years of data; and thus allowed the opportunity to incorporate that actual data into both models. This is very useful in basins such as ours, where the historic record is limited. Particularly dry years in the historical record, such as that from 2001 through 2005, can now be compared with the paleodata.

The findings are that the 2001-2005 period was indeed one of the driest, and there were at least two other periods in record that were as dry or dryer. The model can show how the District's reservoirs would perform under similar scenarios and with future demands.

In terms of the basin, Municipal and Industrial (M&I) and Self Supplied Industrial Users (SSI) have not been shorted in the past. In contrast, there are shortages to Agricultural (AG) users even today. The state model shows pronounced shortages for non-consumptive uses, both in baseline and in dry years.

SWSI looks at 2050 demand projections; shortages for M&I and SSI users are predicted; and current AG shortages are expected to increase. An interesting finding is that models show that when considering future demands and some of the expected thermoelectrical water shortages, Stagecoach Reservoir, if combined with a new project such as Morrison Creek Reservoir, would position the District to meet those shortages in large part, with some exceptions.

A graph was presented, modeling Stagecoach Reservoir performance with hydrology conditions experienced in the 1145-1160 year period and 2015 SWSI projected water demands. The reservoir goes down to dead pool and it takes a full 8 years to recover. The same scenario was described with Morrison Creek Reservoir; the period of recovery shortens from 8 years to 3 years, and water levels do not draw down as much. With Morrison Creek Reservoir, Stagecoach not only re-bounds faster, it meets shortages as well.

Counsel Weiss inquired and Mr. Fifer confirmed, the modelling follows Stagecoach fill and release policies adopted by the Board.

Additional reservoir performance scenarios were reviewed. In hydrology experienced in the 1580-1594 period, there are water shortages in the area, and Stagecoach Reservoir can meet them. In 1998-2012 hydrology conditions, the reservoir is managed to meet contractee demands, and it takes again 8 years to recover. Morrison creek again keeps a healthier Stagecoach and closes the gap of recovery, from 8 years to a shorter period.

Director Sharp raised the question if not having multiyear contracts may be preferred for better reservoir management. Director Brenner made reference to some contractees may need longer term contracts to meet water quality compliance, such as the City of Steamboat. Director Monger discussed different scenarios to meet certain needs, including water being provided out of Morrison Creek.

Director Jones inquired if the study had a focus on pronounced dry periods within the 1200 span of paleodata. Mr. Fifer clarified that the paleodata shows many dry periods occurred within the 1200 year span and only some of those were being discussed here. The driest period in record was not among the described. He stated actual dry periods are indeed used to plan for the future. The 2001-2005 period was found to be among some of the driest in record; such a drought occurred and could happen again in the future, albeit it with higher demands to be met.

Director Jones inquired what recurrence interval would be considered. Mr. Fifer stated those statistics have not been done yet. Manager McBride pointed out that many non consumptive needs including the reservoir elevations desired by Stagecoach State Park, keeping the reservoir fairly full for recreational uses, then the model shows there are even more years when Morrison Creek is helpful.

Manager McBride stated the paleorecord shows multiple dry records have actually occurred. State climatologists in New Mexico, Arizona and Colorado have recently stated variability is expected to increase in future due to climate change. The model being discussed does not include any variability due to climate change. In that regard, Manager McBride concluded, both the paleorecord and the model being discussed are conservative.

Report from General Counsel

Stahl Litigation –

Robert Weiss, as counsel for the District, stated that in his opinion discussion of the matter announced to go into executive session constitutes a privileged attorney/client communication. He was therefore recommending that no further record be kept of the executive session.

Director Brenner made a motion to go into executive session; it was seconded by Director Colby. It was unanimously agreed to go into Executive Session under provision C.R.S. §24-6-402(4) (b) to discuss with counsel legal issues relating to Pending Water rights Applications and Stahl Litigation. Mere presence or participation of an attorney at an executive session of the local public body is not sufficient to satisfy the requirements of this subsection (4).

The Chairman then announced that if any person who participated in the executive session believed that any substantial discussion of any matters not included in the motion to go into executive session occurred in the executive session, or that any improper action occurred during the executive session in violation of the Open Meetings Law, that such person state their concerns for the record. No one stated concerns. The Executive Session commenced at about 4:15 PM. and concluded at about 5:20 PM.

Determination of future meetings The scheduled date for the next Board meeting was confirmed, being Wednesday March 16, 2016 at 1:30 PM, at the District's office.

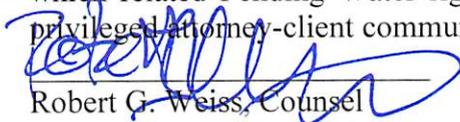
The meeting was adjourned at 5:25 PM.

I certify that the foregoing constitutes a true and correct summary of the proceedings at the above referenced meeting.


Kevin McBride, District Secretary/Manager

STATEMENT FROM ATTORNEY REGARDING ATTORNEY-CLIENT PRIVILEGE

The undersigned Robert G. Weiss hereby attests, pursuant to CRS Section 24-6-402(2)(d.5)(II)(B), that the portion of the executive session that was not recorded and which related Pending Water rights Applications and Stahl Litigation constituted a privileged attorney-client communication in the opinion of the undersigned attorney.


Robert G. Weiss, Counsel

Date: 6-24-2016

STATEMENT FROM CHAIR OF EXECUTIVE SESSION REGARDING ATTORNEY-CLIENT PRIVILEGE

The undersigned chairman hereby attests, pursuant to CRS Section 24-6-402(2)(d.5)(II)(B), that all of the executive session was not recorded and was confined to the topics authorized for discussion in an executive session pursuant to subsection (4) of CRS Section 24-6-402.


John Redmond, Chairman

Date: 3/15/16