

RECORD OF PROCEEDINGS

UPPER YAMPA WATER CONSERVANCY DISTRICT BOARD OF DIRECTORS MEETING NOVEMBER 18, 2015 1:30 PM 3310 CLEAR WATER TRAIL, STEAMBOAT SPRINGS

MINUTES

Vice President Doug Monger presided in the absence of President John Redmond. Chairman Monger called the meeting to order and declared a quorum present. In addition to Director Monger, the Board members present were Stephen Colby, Sam Haslem, Ken Brenner, and Webster Jones. General Manager Kevin McBride, District Engineer Andy Rossi, Office Manager Karina Craig, and General Counsel Bob Weiss were also present.

Other persons present included Joe Messina, consultant to the District; Erin Light, Division Engineer, Colorado Division of Water Resources; Kelly Heaney, Water Resources Manager, City of Steamboat Springs; Jackie Brown, Natural Resource Policy Advisor, Tri-State Generation & Transmission; and Todd Hagenbuch, land owner in South Routt. Scott Fifer, President, Resource Engineering; and David Hallford, Attorney, Balcomb & Green, PC., joined the meeting by phone.

The following agenda was proposed:

AGENDA

- (1) Establishment of Quorum and Call to Order;
- (2) Approval of Agenda for Meeting; action item
- (3) Approval of the minutes of the September 16, 2015 and September 3, 2015 Board Meeting; action item
- (4) Public Input and Comment;
- (5) Compensation Review (MSEC);
- (6) Financial Report;
 - a) Approval of Disbursements action item
 - b) Budget Comparison action item
 - c) US Bank Bond Payoff
 - d) 2016 Budget Adoption action item
- (7) Report of the General Manager;
 - a) Master Planning
 - b) Elk River Augmentation Plan action item
 - c) Bill Gay Pasture Rental action item
 - d) 2016 Board of Directors Meeting Dates action item
 - e) Holiday Party
 - f) Board Appointments (informational item)
 - g) YVEA Update
- (8) Report from District Engineer
 - a) Reservoir water status
 - b) Facilities Update
 - c) Yamcolo Special Use Permit

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- (9) Report from General Counsel;
 - a) Stahl Litigation
 - b) Appointment of Stillwater Ditch Director action item
 - c) Pending/Upcoming Water Right Cases
- (10) Executive Session with Bob Weiss, legal Counsel, under CRS § 24-6-402(4)(b) to discuss legal issues on 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).
- (11) New Business;
- (12) Adjournment.

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

Meeting Minutes Director Brenner moved to approve the September 3, 2015 and September 16, 2015 Meeting Minutes. Director Jones seconded the motion which was unanimously approved.

Public Comment There was no public input at this time.

Compensation Review In 2012 District staff had researched compensation ranges in local agencies for positions that appeared to be similar to those in the District. Staff presented the information and proposed salary ranges for the District, which were approved by the Board and have been used since. The Board subsequently suggested a compensation review by a third and independent party; Mountains States Employers Council Inc. (MSEC) was proposed specifically for the task. MSEC was hired for the task as requested.

Candy Siderious of MSEC joined the meeting by phone. Ms. Siderious described the methodology MSEC used to perform the study, findings, and resulting proposed ranges. Ms. Siderious made a preliminary presentation of the study; a meeting of the Executive Committee was proposed to review data in more detail.

Director Monger expressed his disappointment at the briefness of the written report and the resulting data; he requested more data and further review and discussion, including collecting more data from comparable local organizations. Director Monger stated the Board wishes to make sure it pays fair compensation to its employees, and that determining how that goal is achieved is important.

Ms. Siderious spoke about the study; it used a large sample size in the water industry; including data from the Western Slope Survey, among others. Ms. Siderious stated data and findings in the study was being presented for discussion, and she noted it did not need to be used if the board did not agree with it, and there is more than one way to move forward.

Director Monger stated more information would be needed before appropriate analysis could be done. Director Brenner stated his opinion that in most instances casting a larger net, more data, was preferred instead of a smaller sample, as a larger sample provides more statistical relevance.

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He continued, and stated his opinion that the data to be used should capture cost of living and geographical area, and that this would narrow down the data and increase its validity. Ms. Siderious spoke of several aspects to consider when reviewing compensation, such as labor market, the pool the District hires from, and where employees leave to. She further stated the data could be extracted by geographical area, and identified by organization. There was general agreement that the subject required further discussion and that it be referred to a later meeting.

Director Brenner moved to refer the salary review to the Executive Committee, and that the EC then bring forward a recommendation to the full Board, including an effective date of implementation. Director Jones seconded the motion which was unanimously approved.

The General Manager review was discussed and scheduled for the next Board meeting.

Financial Report The financial report was reviewed and discussed.

Approval of Disbursements – The Cash Disbursement report was reviewed.

Budget Comparison – Manager McBride presented the Budget Comparison report. Legal expenditures may be over budget at year end. Water resource engineering services is expected to be under budget and to increase next year. Stagecoach Operations and Maintenance is under budget. Engineer Rossi explained that some non-structural repair work was not completed due to the unavailability of certain contractors at the time desired by the District, and those repairs will be done in 2016 instead.

Director Monger inquired about Yamcolo Reservoir maintenance status. Engineer Rossi spoke about several projects, including revegetation, concrete repairs, the butterfly valve and piezometers.

US Bank Bond Payoff- At the September 16, 2015 Board Meeting the Board approved pay off of the Refunding Bond Series 2005A and 2005B on November 15, 2015. The payoff procedure has been initiated; the required notice to bondholders has been sent and the final principal and interest payments are scheduled for December 2, 2015.

Director Jones made a motion to approve the disbursements and financial statements presented. The motion was seconded by Director Haslem and unanimously approved.

2016 Budget Adoption -

Manager McBride presented the 2016 Budget draft; it was reviewed and discussed. Budgeted power income reflects the newly signed contract with Yampa Valley Electric Association for Stagecoach power generation. Director Monger proposed to differentiate or track litigation legal expenditures separately from operational legal expenses. Past and possible future legal

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expenditures were discussed. Director Colby moved to double the Legal budget. Director Haslem seconded the motion which was unanimously approved.

Director Monger pointed to funds in the budget which the Board had earmarked for repairs at County Road 14; he suggested the line remain as presented in the 2016 budget draft, clarified and reminded all that the expenditure would still require Board approval, when the time to proceed with the project came. Director Jones stated it seemed reasonable to leave the item as separate line in the budget as a reminder of the District's financial commitment to the project.

Director Haslem moved to approve the amended Budget as presented, to set the mill levy at 1.820 and to appropriate funds as budgeted. Director Colby seconded the motion which was unanimously approved.

The District's Minigrant program was discussed. There was agreement that the program would be continued for 2016.

Report of the General Manager

Master Planning – Manager McBride presented a Master Planning update memorandum; it was reviewed and discussed. Manager McBride described that the UYWCD has been working for several years to refine a river model so that the District has confidence in it as a useful tool for the Yampa River and the District facilities. Attached in the memo are some results with future needs from the Statewide Water Supply Initiative and using CDSS tools that assume strict administration on the River. This shows how our reservoirs might operate under these conditions with our current large contractees modeled. Three different runs were discussed, one a “baseline”, a second with an additional non-consumptive demand of 100 cfs in the City of Steamboat Springs (with water free to the river downstream of that point) and a third with the addition of Morrison Creek reservoir operating as a firming reservoir for Stagecoach.

Return flows, storage levels, and utilization of water rights were discussed. The model shows years where the reservoir would be severely stressed.

Director Jones suggested further considering water exchanges and agreements that may help address some of the water shortages modelled.

Director Monger inquired about final results of the modelling; Manager McBride stated the model and the results it yields are a good tool to illustrate the purpose and need of Morrison Creek. Having not experienced administration on the river these conclusions are appropriate for the future operations. Assuming that administration will never occur on the river would be a risky assumption.

The District's Water Rights Master plan timelines were discussed; a more comprehensive report will be available in May 2016, and it will be filed at the Water Court. Scott Fifer clarified the report will show

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water right availability; and that the model allows testing on whether existing water rights suffice to meet water needs. David Hallford spoke of determining how the water rights portfolio would perform under reasonable demand scenarios. Director Brenner made reference to non-consumptive water uses, and expressed his desire that the master plan be useful beyond statutory requirements. He requested an item be added to the agenda of the next Board meeting for the Board to consider continuing the master plan beyond May, to bring the report to the public; to pursue public feedback and engagement.

Elk River Augmentation Plan – Scott Fifer and David Hallford were present and joined the subject discussion initiated by Manager McBride. A communication from Colorado Parks and Wildlife (CPW) regarding a draft contract pertaining the proposed Elk River Augmentation Plan was reviewed. District staff has met with the Division 6 Engineer’s office regarding this subject as well. There was discussion regarding appropriations, contract details, water rights, and relevant engineering information. There is agreement to submit an Augmentation Plan application in December, to call for a special board meeting if necessary, and to bring the filed application for Board ratification at the next regularly scheduled Board meeting.

Bill Gay Pasture Rental – Todd Hagenbuch, a resident of South Routt introduced himself and presented information to the Board. He delineated historical grazing areas and private and governmental property lines in a geographical area near Blacktail Mountain. He was asking the Board if the District was interested in renewing an old grazing arrangement with him, the new owner of some of that land. A discussion ensued, including the subject of BML land management, land easements, and land uses. There was agreement that more time would be needed to review the documentation and to consider all the issues involved. Director Haslem moved to table the discussion on the Pasture Rental until the January 2016 Board of Directors meeting. Director Brenner seconded the motion which was unanimously approved.

2016 Board of Directors Meeting Dates – Dates for the 2016 Board Meetings were presented, discussed, and agreed upon; as follows: January 21, March 16, May 18, July 27, September 21 and November 16.

Holiday Party – A social holiday gathering was scheduled for December 7 2015.

Board Appointments – Directors currently open and soon to expire seats were discussed. Director Hermann has changed his location of residence and has resigned his board seat as representative of Division 3. Incumbent Directors Haslem, Brenner, and Colby have terms expiring in March of 2016. Incumbent Directors and members of the public may apply for the seats, which term will extend until 2020.

YVEA Update – The District and YVEA have signed a contract pertaining power produced at Stagecoach Powerplant. A public announcement regarding the new agreement and the availability of local clean energy was reviewed and discussed.

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Report from the District Engineer

Reservoir water status – The status of Stagecoach Reservoir and Yamcolo Reservoir water was discussed. Engineer Rossi reported that the Five Pines Mesa Ditch was closed on schedule on October 1, 2015.

Facilities Update – Engineer Rossi presented a memo on Facilities Maintenance and discussion followed.

Yamcolo Special Use Permit – Engineer Rossi reported that the application for the Long-Term (30 year) Special Use Permit has been ongoing since 2011 and is still in progress. The UYWCD and the USFS are still discussing the specifics of the outflow release requirements for the long-term permit.

Report from General Counsel

Stahl Litigation – Stahl Litigation to be discussed in Executive Session.

Appointment of Stillwater Ditch Director –

Counsel Weiss made reference to the Stillwater Ditch and Reservoirs Company, a ditch company incorporated in 1906. In 1996 the District acquired the Ditch Company and with it the commitment to maintain the Five Pines Mesa Ditch and Gardner Park dam. A director for the Ditch Company needs to be appointed; and staff has worked with SDA to provide the appropriate insurance coverage. Counsel Weiss proposed the Board appoint Manager McBride as the sole director of the Company effective January 1, 2016. As the director, Manager McBride would then appoint himself as the President and Secretary of the Board. Director Monger inquired why a UYWCD director could not be a director of the Stillwater Ditch and Reservoirs Co. Counsel Weiss stated that they could be but, the General Manager is already doing the operational effort of maintenance and repair of the Ditch and dam, so in his opinion this would be the most efficient way.

Director Brenner moved that the Board approve the adoption of the Stillwater Ditch and Reservoirs Company “Action by Sole Shareholder Without Meeting”. Director Jones seconded the motion which was unanimously approved.

Pending/Upcoming Water right Cases – A memorandum in regards to Case No. 15CW3039, Town of Hayden application of water rights, was presented, reviewed and discussed.

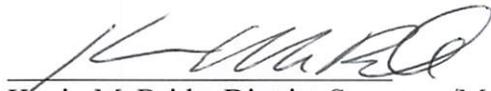
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The District filed a "friendly" statement of opposition to ensure that no adverse terms and conditions were imposed on the use of the District's water supplies pursuant to the augmentation plan. Public Service Company of Colorado has also filed a statement of opposition. The Division Engineer has raised questions several questions including questions about the historical use of the Town's water rights being changed in the application. Legal counsel from Balcomb and Green was recommending the District to remain a party to the case and to monitor the case's progress.

Director Monger made a motion to enter into Executive Session. Director Haslem seconded the motion. 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 on the 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 Executive Session commenced at 4:30 PM and concluded at 4:45 PM.

The meeting was adjourned at 4:45 PM.

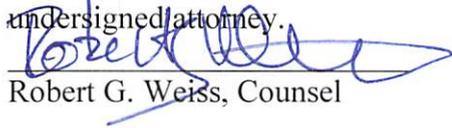
I certify that the foregoing constitutes a true and correct summary of the proceedings at the above referenced meeting.



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 to legal issues on the Stahl litigation constituted a privileged attorney-client communication in the opinion of the undersigned attorney.



Robert G. Weiss, Counsel

Date: 3-11-2016

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: 2/19/16