

**MINUTES OF FOURTH 2008 REGULAR QUARTERLY MEETING OF THE
REPUBLICAN RIVER WATER CONSERVATION DISTRICT**

October 9, 2008

Wray, Colorado

The Board of Directors of the Republican River Water Conservation District convened a regular meeting, pursuant to notice required by statute and the District's By-Laws, at the Wray Community Center, Wray, Colorado.

Present were:

Board Members:

Dennis Coryell, President
Kim Killin, Vice President
Tim Pautler, Secretary
Rick Seedorf, Treasurer
Grant Bledsoe
Eugene Bauerle
Jack Dowell
Garry Kramer
Steve Kramer
Greg Larson
Bruce Latoski
Stan Laybourn
Wayne Skold

Stan Murphy, RRWCD General Manager
Dennis Montgomery, RRWCD General Counsel, Hill & Robbins, P.C.
James Slattery, RRWCD Engineer
John Willard, RRWCD Accountant

A sign in sheet listing the members of the public attending the meeting is attached as Exhibit 1.

STATEMENT OF QUORUM

President Dennis Coryell called the meeting to order at 10:10 a.m. and welcomed the public. President Coryell announced the re-appointments of representatives from Kit Carson County - Tim Pautler; Phillips County - Kim Killin; and the Marks Butte Ground Water Management District - Eugene Bauerle. Secretary Tim Pautler conducted a roll call of Board members, noting that Directors Raymond Enderson and Greg Terrell were absent. President Coryell stated that Director Enderson had a schedule conflict, but would try to arrive at the meeting later in the day. With thirteen Directors attending the meeting, Secretary Pautler declared that a quorum of the Board was present.

AGENDA AND APPROVAL OF MINUTES

President Coryell asked for any amendments to the agenda. There were none, and a motion to approve the agenda was made, seconded, and approved unanimously.

Prior to this meeting, the Directors had received drafts of the minutes of the regular Board meeting held on July 10, 2008, and the special meeting held on September 2, 2008, as well as the executive session minutes for the meetings held on April 18, June 5, July 10 and September 2, 2008. President Coryell requested any changes or corrections to the minutes. There were none, and a motion to approve the minutes was made, seconded, and approved unanimously.

GENERAL MANAGER'S REPORT

At 10:20 a.m., General Manager Stan Murphy presented the financial report and the disbursements for the quarter ending September 30, 2008, which had been previously sent to the entire Board electronically as well as being included in the Board packet. A motion to approve the financial report and the disbursements for the quarter ending September 30, 2008, was made, seconded, and approved unanimously.

Mr. Murphy then reported on the invitation to submit loan proposals for a \$5,000,000 loan from local banks that had been placed in area newspapers for the lease payment for the 20-year lease of North Fork surface water rights should the Yuma County bond election pass. Legal counsel Dennis Montgomery also reported on the loan application and loan feasibility study that had been submitted to the Colorado Water Conservation Board (CWCB) for a \$4.5 million loan to pay the lease payment.

Mr. Murphy then asked the Board for direction regarding the distribution of Board packets prior to Board Meetings. A discussion of when the packets should be sent electronically and if there should be a deadline to add items to the agenda ensued. It was decided that Board packets should be sent electronically to each Board member no later than the Friday before the meeting for a regularly scheduled quarterly Board meeting and there should be no deadline to add items to the agenda.

The next item was a report on Deni Coryell's master thesis project. Ms. Coryell arrived and asked the Board if there were any questions. There were none. Mr. Murphy ended his report by reviewing the revised RRWCD Meeting Notification Requirements.

PROGRAM UPDATES AND REPORTS

At 10:30 a.m., Mr. Montgomery reported on the status of the amendment to the Republican River Conservation Reserve Enhancement Program (CREP). Mr. Montgomery also read a memorandum prepared by Ms. Katie Radke of the Colorado Division of Water Resources on the status of the supplemental environmental assessment for the amendment of the Republican River CREP, as Ms. Radke was not able to attend the meeting. According to Ms. Radke's memorandum, the legal team at the USDA-FSA Washington, D.C. office is reviewing the CREP amendment and has asked the State and the RRWCD WAE to wait for this legal review to be finalized. Secretary Pautler added information he

had learned at the recent State Technical meeting regarding Washington and Lincoln Counties participation in the CREP program.

Mr. Pautler also reported on a meeting that the NRCS held in Yuma, Colorado, that he, President Coryell, and General Manager Murphy had attended. Alan Green and Tim Carney from the NRCS asked if the RRWCD would do a presentation for them to discuss the RRWCD programs and future funding requirements. Mr. Pautler also reported on the State Technical Meeting held on October 7th in Denver. He said there were many details presented at that meeting regarding the new Farm Bill. Mr. Pautler also noted that the NRCS was highly complementary of the RRWCD's role in the EQIP program and were developing a new program, AWEP, which Mr. Pautler thought was an excellent opportunity for the RRWCD to participate as well. Mr. Pautler asked for Board approval to make the presentation to the NRCS, make application to participate in the new AWEP program, and to develop a long range conservation plan with the NRCS. A discussion was held regarding the availability of money in the budget to fund a new program, as the 2009 EQIP rates had not been locked in yet pending further budget analysis. Mr. Pautler pointed out that by the time the RRWCD would make a presentation, perhaps there would be a clearer picture of the RRWCD WAE's financial status. General Manager Murphy suggested that the Board not lock in EQIP rates until the January 2009 regular quarterly Board meeting pending these issues. Mr. Murphy also noted that the NRCS had not come out with its payment schedule for the 2009 program yet. A motion to authorize Mr. Pautler and Tim Davis to start on the proposal process for the AWEP program, but that would not commit the Board to fund the proposal, was made, seconded, and passed unanimously.

Next, a report on the status of the Republican River Compact Administration (RRCA)'s approval of the augmentation plan and accounting procedures for the Compact Compliance Pipeline was made by Assistant Attorney General Peter Ampe of Colorado Attorney General's office. Mr. Ampe informed the Board that there were ongoing negotiations among the RRCA members and that there have been two teleconference calls. He said the next teleconference is scheduled on November 4th and a two day, face-to-face meeting is also scheduled. He stated that he remains hopeful for a solution. A Board member asked Mr. Ampe if Kansas and Nebraska needed to resolve their issues before they would approve the Pipeline project; Mr. Ampe answered that they did not and said the two states were "dragging their feet."

Next, Trent Bushner, Yuma County Commissioner, reported on the status of the purchase and sale agreement between the Yuma County Water Authority and North Fork surface water owners. Mr. Bushner stated that he felt the contract was "pretty close;" however, he said there were a few more details that still needed to be worked out, the first being the limitation on the Wilson #1 water right and the second being the lease-back provision should a municipality in Yuma County need augmentation water prior to the end of the 20-year lease with the RRWCD WAE. Mr. Bushner also reported that the YCWA is applying for a \$9,000,000 loan from the CWCB to keep interest rates on the bonds as low as possible. Mr. Bushner said the YCWA was in the process of doing a feasibility study for the loan. He also said they are doing many meetings to get information out on the ballot questions 5B and 5C, which ask voters to approve a \$15,000,000 bond issue to purchase the surface water rights on the North Fork.

Legal counsel Dennis Montgomery then reported on the status of the North Fork surface water rights lease. As discussed earlier, the owner of the Wilson #1 water right had not agreed to the limitation required by the Board as a condition to the North Fork surface water rights lease, and the terms for Yuma County municipalities to lease back water for augmentation have not been resolved. Mr. Montgomery stated that he was working with the Wilson #1 owner's legal counsel and YCWA's counsel to try to resolve these issues.

President Coryell reported on the Executive Committee's meeting with the Arikaree Ground Water Management District (AGWMD) held on September 9, 2008, to discuss its "no confidence" resolution in the RRWCD Executive Committee, General Manager, and legal counsel. Also attending the meeting were General Manager Stan Murphy, State Engineer Dick Wolfe, and Alex Davis, Assistant Director of the Department of Natural Resources. President Coryell said the AGWMD began with many questions for the State and then had questions for the RRWCD Executive Committee. There was not enough time for the Executive Committee to address all of the AGWMD concerns because the issue of communication between the parties was the dominant topic of conversation. Mr. Coryell reiterated that compact compliance is a very complex issue and said hopefully this meeting helped to get the AGWMD up to speed on the issues. Mr. Coryell also noted that since the receipt of the "no confidence" resolution from AGWMD, the RRWCD had received resolutions from the Plains, Sandhills, Central Yuma, Marks Butte, Frenchman, and W-Y Ground Water Management Districts expressing support for the RRWCD and its efforts to comply with the Compact.

General Manager Murphy then reported on the status of the contract negotiations with Don and Myrna Andrews and Jim Smith. Mr. Murphy said Mr. Andrews had not committed to the contract as last presented; Mr. Smith had accepted the terms of the proposed contract and would be in town the following Monday to sign the agreement. A discussion of whether to give the Andrews a deadline due to budget concerns began. It was decided to address the issue under Board Action items.

Treasurer Rick Seedorf reported on the Colorado Water Congress conference that he had attended which had focused on the "Three L's" - Legislature, Lobbying and Lawyers. Mr. Seedorf said he had attended panel discussions regarding water issues statewide.

Director Gene Bauerle reported on the South Platte Roundtable meeting that he had attended. The agenda included a discussion of the feasibility of a pipeline from Illinois to Monument, Colorado; a report from Mike Shimmin on legal water issues in Colorado; and inter-basin meetings that have not accomplished much. Mr. Bauerle said the Front Range mindset at the meeting was that there were two sources for water in the State – the western slope and agriculture.

Director Jack Dowell reported on the Republican River Weed Control meeting he had attended. He showed "before and after" photos of an area where weeds were sprayed. The group has targeted an area of salt cedar and Russian Olive one-quarter mile on either side of the Arikaree. They are taking bids for the project due October 10th, will open the

bids on October 14th, hold a landowners meeting on October 20th, and begin work on November 11th.

District Engineer Jim Slattery then gave an update on the engineering status of the Compact Compliance Pipeline. He reported that GEI will be done with the design portion at the end of October and is on budget. He said that there were still issues with the permit process and easements. He requested that GEI be given an hour at the Board meeting in November to discuss the next steps and receive direction from the Board.

The final report was from Nate Ayers of UpsourceIT, the company that had submitted a proposal to update the RRWCD's website. Mr. Ayers introduced himself and his partner, J.J. Stewart. They gave an overview of the current website and how it could be improved. They demonstrated features regarding lay-out, building the website, and training the RRWCD staff. They proposed a \$15,000 flat fee for the complete update of the website and implementation.

At 12:25 p.m., President Coryell recessed the meeting for a lunch break.

PUBLIC COMMENT

At 1:25 p.m., the meeting re-convened. President Coryell invited the public to make any comments or question the Board at this time. There were no comments or questions from the public.

BUDGET HEARINGS

At 1:30 p.m., District Accountant John Willard explained the two budget hearings to be held at this meeting. The first hearing is on a 2008 Supplemental Budget due to the receipt of the \$50,000 grant from the CWCB for the Compact Compliance Pipeline feasibility study. The second hearing is on the proposed 2009 Budget. Drafts of both budgets had been sent previously to the Board electronically.

At 1:40 p.m., President Coryell commenced the hearing on the proposed 2008 Supplemental Budget. Mr. Willard explained the 2008 Supplemental Budget. There were no questions from the Board or the public regarding the 2008 Supplemental Budget. Thereupon, a motion to adopt the 2008 Supplemental Budget and the Appropriations Resolutions was made, seconded, and passed unanimously. At 1:46 p.m., the hearing on the 2008 Supplemental Budget was closed.

At 1:47 p.m., President Coryell commenced the hearing on the proposed 2009 Budget. Mr. Willard explained the proposed 2009 Budget. There were no questions from the Board or the public regarding the proposed 2009 Budget. Thereupon, a motion to adopt the 2009 Budget and the Appropriations Resolutions was made, seconded, and passed unanimously. At 1:54 p.m., the hearing on the 2009 Budget was closed.

BOARD ACTION ITEMS

At 1:55 p.m., election of officers began. A motion was made to retain the current slate of officers: Dennis Coryell, President; Kim Killin, Vice President; Tim Pautler, Secretary; and Rick Seedorf, Treasurer. The motion was seconded and passed unanimously.

A copy of proposed Resolution No. 8-07, to reflect the revised water use fees previously adopted by the Board beginning January 1, 2008, had been sent electronically to the Board prior to this meeting as well as being provided in the Board packet. The revised use fees are as follows: \$14.50 per assessed irrigated acre on diversions of ground water for irrigation use; \$11.60 per acre-foot on diversions of ground water for municipal and commercial well use; and \$13.45 per acre-foot of consumptive use on the diversion of surface water under water rights junior to December 31, 1948. President Coryell asked if there were any questions regarding the resolution; there were none. A motion to adopt Resolution No. 8-07 was made, seconded, and passed unanimously.

A copy of proposed Resolution No. 8-08, to waive the location requirement for the special meeting of the Board in November in accordance with section 37-50-108, Colo. Rev. Stat., had been sent electronically to the Board prior to this meeting as well as being provided in the Board packet. President Coryell asked if there were any questions regarding the resolution; there were none. A motion to adopt Resolution No. 8-08 was made, seconded, and passed unanimously.

A copy of proposed Resolution No. 8-09, authorizing the Enterprise to enter into and comply with the terms of a contract with the Colorado Water Conservation Board for a loan in the amount of \$60.6 million for the Republican River Compact Compliance Pipeline Project and pledging to impose and collect use fees to repay the loan, and for other related purposes, had been sent electronically to the Board prior to this meeting as well as being provided in the Board packet. President Coryell asked Mr. Montgomery to explain each paragraph of the resolution to the Board, which he did. After discussion regarding the terms of the loan, a motion to adopt Resolution No. 8-09 was made, seconded, and passed unanimously.

A copy of proposed Resolution No. 8-10 authorizing the RRWCD-WAE to enter into an agreement with Wray Ranch Co., L.L.C., regarding the Wilson #1 water right was presented to the Board. After discussion, it was determined that no action would be taken on this proposed resolution at this time.

Next, the Board discussed the potential use or sale of the 2004 Trailblazer that is owned by the RRWCD-WAE and decided to sell the vehicle. Following the discussion, a motion was made to direct General Manager Murphy to put a bid packet together for the 2004 Trailblazer, with a minimum bid \$5,000, and advertise it in the local newspapers. The motion was seconded and passed unanimously.

General Manager Murphy reported that he had not received the new contract for the office lease and, therefore, there was no action on that matter at this time. Mr. Murphy said

the landlord had said the RRWCD WAE could continue paying rent at the same rate until the new lease contract was submitted.

A copy of the engagement letter from Winfrey & County to perform the 2008 Audit for the RRWCD-WAE was sent electronically to the Board prior to this meeting. A motion to accept the engagement letter was made, seconded, and passed unanimously.

A discussion of potential modifications to the lease agreement between the RRWCD WAE and Yuma County Water Authority began. It was determined that legal advice was required, and this matter was therefore tabled until it had been discussed in executive session.

Treasurer Rick Seedorf briefed the Board on a list of travel reimbursement policy items and a cell phone policy that he had put together after interviewing other managers of water conservation districts in the State as well as discussions with General Manager Murphy. The policies were sent electronically to the Board prior to this meeting. A short discussion for clarification purposes ensued. A motion to adopt the new travel reimbursement and cell phone policies was made, seconded, and passed unanimously.

A discussion of the status of the contract with the Andrews for purchase of their interest in the Hale Ditch water right began and due to the on-going negotiations, it was determined that it would be tabled until after the executive session.

EXECUTIVE SESSION

At 2:50 p.m., a motion was made pursuant to section 24-6-402(4), C.R.S., to enter into executive session to develop a strategy for negotiations to acquire water rights and property for Compact Compliance Pipeline and to develop a strategy for negotiations for the purchase, acquisition, or lease of water rights and to receive legal advice from District's legal counsel related to such issues. The motion was seconded and approved unanimously. President Coryell stated that no adoption of any proposed policy, position, resolution, rule, regulation, or formal action shall occur in executive session. Before entering into executive session, President Coryell thanked the public for attending the meeting.

At 4:10 p.m., a motion to exit executive session was made, seconded, and passed unanimously.

BOARD ACTION ITEMS

Legal counsel Dennis Montgomery informed the Board of discussions he had had with counsel for James and Joyce Lightle who had entered into CREP contracts with the RRWCD WAE and then obtained an order from the bankruptcy court rejecting the contracts. The Lightles' attorney proposed a \$15,000 settlement of the RRWCD WAE's claims for liquidated damages. After discussion, a motion to accept the \$15,000 settlement offer was made, seconded, and passed unanimously.

Next, Mr. Montgomery reviewed the proposed agreement with the owner of the Wilson #1 water right (Wray Ranch, L.L.C.) to convey the Wilson #1 water right to Yuma County in return for a 1/4 cfs from the Laird Ditch water right to be diverted at the Wilson Sump. If the proposed agreement is accepted, the purchase and sale agreement between Yuma County and the owners of the North Fork surface water rights will need to be amended as follows:

- Total dry up of the lands irrigated by the Wilson #1 water right;
- Yuma County will convey 1/4 cfs of the pre-compact water right decreed to the Laird Ditch with the right to divert 50 acre-feet per year over a 5-year rolling average;
- Yuma County and RRWCD WAE may be co-applicants in water court;
- The lease between Yuma County and the RRWCD WAE will include the Wilson #1 water right, but not the ¼ cfs conveyed to Wray Ranch;
- Wray Ranch will abandon the well permit No. R-19839;
- RRWCD WAE will pay Wray Ranch \$120,000, and Wray Ranch will sign an easement agreement for the Compact Compliance Pipeline, road, and the outfall structure; and
- The RRWCD Board will establish a budget of \$2,000 per year, with a roll-over provision, to remove weeds from the channel below the outfall structure.

A motion to approve the proposed agreement, provided Yuma County agrees, was made, seconded, and passed unanimously.

In regards to the proposed contract with Don and Myrna Andrews to purchase their interest in the Hale Ditch water right, a motion to set a deadline date of November 30th for the Andrews to accept the current offer was made, seconded, and passed unanimously.

NEW BUSINESS

A motion to approve hiring upsourceIT to design, update, and assist the District staff in improving the RRWCD website for the \$15,000 flat fee offered by upsourceIT was made, seconded, and passed unanimously.

President Coryell reminded the Board of the special Board meeting to be held in Lakewood, Colorado, on November 12th and 13th.

Director Jack Dowell reported on his attendance at the Special District Association Meeting in Breckenridge, Colorado.

EXECUTIVE SESSION

At 5:05 p.m., a motion was made pursuant to section 24-6-402(4), C.R.S., to re-enter into executive session to develop a strategy for negotiations to acquire water rights, easements, and property for Compact Compliance Pipeline and to develop a strategy for negotiations for the purchase, acquisition, or lease of water rights and to receive legal advice on legal questions from District's legal counsel related to those negotiations. The motion was seconded and approved unanimously. President Coryell stated that no adoption of any proposed policy, position, resolution, rule, regulation, or formal action shall occur in executive session.

At 5:30 p.m., a motion to exit executive session was made, seconded, and passed unanimously.

There being no further business, at 5:31 p.m., p.m., President Coryell adjourned the meeting.

Timothy Pautler
Secretary

Date