

Minutes of the 5th Special Meeting of the
Republican River Water Conservation District

December 1, 2004

Yuma, Colorado

Present were:

Board Members:

Eugene Bauerle
Grant Bledsoe
Kelly Burr
Dennis Coryell
Jack Dowell
Raymond Enderson
Kim Killin
Garry Kramer
Steve Kramer
Bruce Latoski
Stan Laybourn
Tim Pautler
Rick Seedorf
Wayne Skold
Jerry Sonnenberg

David Robbins, General Counsel, Hill & Robbins, P.C.
Dennis Montgomery, General Counsel, Hill & Robbins, P.C.
Ken Knox, Deputy State Engineer
Peter Ampe, Assistant Attorney General

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

MINUTES

President Coryell convened the meeting at approximately 10:12 a.m. All Board members were present

The Board approved the Agenda with additions. The Board approved the Minutes of the October 12, 2004 meeting.

At 10:18 a.m., Counsel explained the Colorado Local Government Audit Law, which requires the governing body of each local government, including the District, to cause an audit for each fiscal year, but allows an exception to be requested if revenues

and expenses do not exceed \$500,000. Counsel explained that the request for the exemption must be made by an auditor if the Enterprise's budget exceeds \$100,000. Counsel also said that the Audit Law states that the auditor may not audit the books that he has maintained and that the auditor and accountant must therefore be separate. Counsel gave a brief summary of Counsel's interview of Bondi & Co. for the auditor position. Counsel also informed the Board that the other candidate for auditor had withdrawn. Counsel recommended Bondi & Co. as auditor. A motion to hire Bondi & Co. as auditor to request an exemption for 2004 and to conduct the audit for the District and the Enterprise for the 2005 budget year was made and seconded. Motion passed unanimously.

At 10:23 a.m., the Board began interviews for the position of accountant. Kennedy & Co. withdrew from consideration. John Willard of Premiere Accounting gave a presentation of his qualifications; the Board asked several questions. Garry Saffer of Northeast Accounting and Tax Service gave a presentation of his company's qualifications. The Board asked several questions. The Board deferred a final decision on the accountant position until after the afternoon executive session.

At 10:36 a.m., President Coryell opened the meeting to public comment. There was no public comment. Public comment closed at 10:37 a.m.

At 10:37 a.m., President Coryell asked the Board members to share the issues the public had brought up with Board members outside of the Board meetings. The Board engaged in a discussion of options for compact compliance, how the use fee on the diversion of ground water was calculated, how the fee would be assessed on commingled or expanded acres and several other topics. Aaron Nein, manager of several ground water management districts, told the Board what he had heard from his constituents.

At 12:15 p.m., the Board broke for lunch.

At 12:52 p.m., Counsel gave a report to the board on the investigation of banks by the Executive Committee and related matters and summarized a proposed resolution to designate the Bank of Colorado in Yuma, Colorado, as the bank for deposit of revenues of the District and the Enterprise in accordance with section 37-50-112, C.R.S. A motion to adopt the Resolution was made and seconded. Motion passed unanimously. A copy of the Resolution Designating a Bank for Deposit of Revenues is attached as Exhibit 2. The Board then discussed the issue of compensation for officers and the Budget Committee's recommendation on that issue. After discussion, a motion to pay the President, Vice-President and Secretary compensation of \$300.00 per month, with a review of the necessity for continuing such compensation to be made at least once per year, was made and seconded. Motion passed unanimously.

Counsel then explained the decision to apply for membership in the Special District Association to obtain general liability and worker's compensation insurance and the need for the Board to ratify the decision to apply for membership in the Special District Association and, acting in its capacity as the Governing Body for the Enterprise,

to issue the check to the Special District Association in the amount of \$784.00. A motion to ratify the application and payment to the SDA was made and seconded. Motion passed unanimously. Counsel then asked the Board, acting as the Governing Body of the Enterprise, to authorize payment of outstanding invoices for Legal Counsel, costs incurred for publishing public notices, and other accounts payable prior to the January meeting.

The Board then discussed the issue of compensation for directors who are appointed to special committees. The Board discussed this issue and the statutory limitation imposed on the compensation of directors. A motion was made to compensate appointees to special committees at a rate of \$75.00 per day when actually engaged in the business of that special committee. The Board discussed educational opportunities for Board members, whether the Enterprise should pay for those expenses and whether Board members should be compensated for attending educational opportunities. The original motion was withdrawn and a substitute motion to compensate appointees to special committees at a rate of \$75.00 per day when actually engaged in the business of that special committee and to authorize each director to select and attend up to two educational meetings or seminars within the Republican River Compact States, not longer than two days in length, at the expense of the Enterprise. The motion was seconded. Motion passed unanimously

A motion to pay the outstanding invoices and other accounts payable prior to the January meeting previously discussed by Counsel was made and seconded. Motion passed unanimously.

A motion to compensate directors attending educational seminars at the authorized rate was made. After discussion, the Board concluded that if a director is attending an educational seminar and is actually engaged in the business of the District or Enterprise, the director is eligible for compensation without additional action by the Board. The motion was withdrawn as not necessary.

At 1:57 p.m., Secretary Pautler updated the Board on the status of the Environmental Quality Incentive Program (EQIP), the dates of the sign-up period and need for additional incentives to be offered by the Enterprise for the conversion of irrigated land to non-irrigated land use. The Board asked several questions and discussed the EQIP program in general. Secretary Pautler made a motion to have the Board request the State Engineer's Office to produce a map showing the priority zones near the North Fork of the Republican River and the South Fork of the Republican River and to transmit this map to the appropriate NRCS offices together with a list of the incentives offered by the Enterprise so that the information would be available to potential applicants. The motion was seconded. Motion passed unanimously.

The Board then discussed how to verify that acres proposed to be included in the EQIP program are legally irrigated. The Board discussed requiring applicants to include their Form 578 or other information as part of the application. The Board took no formal action on the issue.

At 2:28 p.m., the Board held a public hearing on the proposed budget for the Enterprise for 2004 and the proposed budgets for the District and the Enterprise for 2005. President Coryell opened the hearing to public comment. Alan Page suggested the Board develop economic opportunities in the District to offset any detrimental economic effects of the retirement of irrigated farmland. Mr. Page passed out information regarding a plan for a multiple use recreation area in the District. The Board asked several questions regarding this proposal. No other public comments were offered and President Coryell closed the public comment portion of the hearing at 2:38. Vice-President Killin gave the Budget Committee's report to the Board and explained the proposed budgets. Various minor changes were made to the Proposed Budget for the Enterprise for 2004. A motion to adopt the Proposed Budget for the Enterprise for 2004, as amended, was made and seconded. Motion passed unanimously. The Board then discussed the Proposed 2005 Budget for the Enterprise and the Proposed 2005 Budget for the District. Various minor changes were made to the Proposed 2005 Budgets for the Enterprise and the District. The Board discussed the proposed budgets and changes and discussed the effect of TABOR on future budgets of the District. A member of the public asked whether the federal funding for various programs to take place within the District were included within the Proposed Budget. The Board answered that it was not. A motion to adopt the Proposed 2005 Budget for the Enterprise, as amended, and to adopt the Proposed 2005 Budget for the District, as amended, and making appropriations for the respective budget years was made and seconded. Motion passed unanimously.

Counsel then asked the Board to authorize the officers to certify the Budgets to the appropriate State agencies and file such documentation as may be necessary. A motion to authorize the officers to certify the Budgets to the appropriate State agencies and file such documentation as may be necessary was made and seconded. Motion passed unanimously.

At 2:56 p.m., Counsel reported on several proposed matters for the Board's consideration. Counsel reported that the District's By-Laws were drafted from the By-Laws of the Colorado River Water Conservation District ("River District"); however, Counsel pointed out that there is a difference in the number of directors that may call a special meeting in the statute governing the River District and the statute governing the District. Counsel drafted an amendment to the District's By-Laws to be consistent with section 37-50-108, C.R.S., but the District's By-Laws require that a copy of any proposed amendment be mailed to each member of the Board not less than 10 days prior to the meeting at which the amendment is to be considered. Counsel therefore recommended that the proposed amendment be mailed to the Board by the Secretary and considered at the Board's regular meeting in January. Counsel reported next that Counsel had reviewed the District's By-Laws and determined that they are suitable to govern the operations of the Enterprise and summarized a proposed resolution of the Board, acting as the Governing Body of the Enterprise, to adopt the By-Laws of the District to govern the operations of the Enterprise. A motion to approve the Resolution was made and seconded. Motion passed unanimously. A copy of the Resolution adopting the By-Laws of the District is attached hereto as Exhibit 3. Counsel then reported on a proposed

resolution to authorize the President to sign checks in excess of \$1000.00 and to authorize any of the officers to sign checks in an amount less than \$1000.00. The Board discussed the resolution, but consideration of the resolution was deferred to make corrections to the resolution.

Counsel then presented a Resolution to designate the principal office of the District and the Enterprise pursuant to section 37-50-108, C.R.S. A motion to approve the Resolution was made and seconded. Motion passed unanimously. A copy of the Resolution Designating the Principal Office of the District and the Enterprise is attached hereto as Exhibit 4.

Counsel updated the Board on the requests for a Public Deposit Protection Act (PDPA) number and an employer identification number. Counsel then made a presentation to the Board regarding the Colorado Water Congress and the State Affairs Committee and recommended that the District join the CWC. A motion to join the CWC at the \$500.00 level and to participate in the State Affairs Committee was made and seconded. Motion passed unanimously. President Coryell designated Jerry Sonnenberg as the representative of the Board on the State Affairs Committee and Rick Seedorf as the alternate.

Counsel then presented the revised Resolution of the Board, acting as the Governing Body of the Enterprise, to authorize the President to sign all warrants, checks or other instruments in excess of \$1,000 and to authorize any officer to sign warrants, checks or other instruments in an amount less than \$1,000. A motion to pass the revised Resolution was made and seconded. Motion passed unanimously. A copy of Resolution No. 04-03 is attached hereto as Exhibit 5.

Counsel then explained the requirement for the Board to set an amount for the bond of the Treasurer pursuant to section 37-50-106, C.R.S. A motion was made to set the bond at \$5000.00 and to authorize the Executive Committee to obtain necessary insurance through the Special District Association and acquire the treasurer's bond and any other necessary insurance that cannot be obtained through the Special District Association. The motion was seconded. Motion passed unanimously.

Counsel then informed the Board about the status of the development of a personnel policy manual for the District and Enterprise. Counsel said that a draft would be presented at the next board meeting after input by the person selected as the general manager.

At 3:36 p.m., Dennis Gatlin of Colorado PERA gave a presentation to the Board regarding Colorado PERA. The Board asked several questions. The Board took no action.

At 3:55 p.m., the Board took a short break.

At 4:14 p.m., the Board reconvened. A motion was made to enter into executive session to interview candidates for the position of General Manager, discuss the interviews of potential accountants, to discuss the financial incentives the Enterprise might offer as part of the EQIP program, and to receive legal advice concerning hiring employees and financial incentives. The motion was seconded. The motion passed unanimously. The Board entered into executive session at 4:15 p.m.

At 7:05 p.m., the Board emerged from executive session. During the executive session, no adoption of any proposed policy, position, resolution, rule, regulation or formal action occurred. The Board then voted to hire John Willard as accountant by a vote of 13 – 2. The Board filed secret ballots for the position of General Manager.

At 7:08 p.m., the Board took a short break to move to a different room. The Board reconvened at 7:15 p.m. A motion was made to set the Enterprise funded incentives for the EQIP program as recommended by the Budget Committee. The motion was seconded. The motion passed unanimously. A copy of the incentives recommended by the Budget Committee is attached hereto as Exhibit 6.

At 7:17 p.m., Counsel reported to the board on land trusts. Counsel explained the concepts of land trusts and conservation easements, the legal requirements to establish a land trust and to accept conservation easements, and the various advantages and disadvantages of trusts and easements, including tax deductions and credits for the donation of conservation easements. Counsel also explained the purposes and operations of the Colorado Water Trust. The Board asked various questions and discussed various issues regarding land trusts and conservation easements.

At 7:45 p.m., the Board moved the update on promulgation of rules and regulations by the State Engineer to the January meeting. Ken Knox updated the board on the status of the Conservation Reserve Enhancement Program (CREP). The Board decided it needed more information on the issue of fee assessment on CRP and/or supplemental surface water and moved that item to the January meeting. Tim Pautler discussed the need for some sort of appeals process for the fee assessments and asked for that item to be placed on the January agenda.

The Board received an update on the informal discussions with surface right owners. The Board discussed the need for additional information, including appraisals, before beginning any formal discussions to purchase surface water rights. President Coryell appointed Grant Bledsoe, Bruce Latoski, Kim Killin and Garry Kramer to a Surface Water Right Committee and asked Bruce Latoski and Grant Bledsoe to attend the December 8 informational meeting in Wray, Colorado. The public offered comments on the Board's discussions and proposals and the Board discussed those comments.

At 8:26 p.m., Ken Knox counted the ballots for the General Manager position and announced that Stan Murphy had received 13 of the 15 ballots cast. A motion was made to make the vote unanimous for Mr. Murphy for the General Manager position. The motion was seconded. The motion passed unanimously. The Board discussed how to

offer the position to Mr. Murphy and the compensation package that would be offered. A motion was made that if Mr. Murphy declined the position, the position would be offered to Chris Glaze. The motion was seconded. The motion passed unanimously.

The Board voted unanimously to adjourn at 8:34 p.m.

Secretary

Date