

HUERFANO COUNTY WATER CONSERVANCY DISTRICT

Minutes of Board Meeting July 23, 2018

The monthly meeting of the Huerfano County Water Conservancy District was convened at the Emergency Services building, 326 Main St, Walsenburg, CO by President Scott King on Monday, July 23, 2018 at 6:00 pm.

Directors present: Michael "Sandy" White, Scott King, Juan Vallejos, Beaver Edmundson, Kent Mace.

Secretary: Carol Dunn; Attorney: Steve Monson. Engineer: John Faux.

Guests: Lenna Rauber, Sydney Hulburt, Rick Dunn, Larry Michaels, Gail Terry, Larry Waide, Rebecca Hoehne, Caitlin Dunn, Ray Garcia, Keith Bouchard, Delmar Janovec, Rebecca Cummings, Phil Cummings.

The agenda was changed to put the regular meeting before the rate setting meeting because the attorney was delayed by highway flooding.

MINUTES – White moved and Mace seconded to approve the June 25, 2018 minutes. Board approved

TREASURER REPORT – White moved and Vallejos seconded to approve the Treasurer's report. Board approved.

OLD BUSINESS – None.

NEW BUSINESS – Rauber reported on flows in the Cucharas and Huerfano rivers.

There has been a request for HCWCD to provide administration for the Arkansas Basin BIP Coordinator grant in its fourth year. White moved and Mace seconded to continue to administer the BIP Coordinator grant, working with Garald Barber. Board approved.

ABRT meeting – White reported on the most recent Arkansas Basin Roundtable meeting.

GUEST COMMENTS: None.

At 6:40 pm King called a recess of the regular meeting. He convened the rate setting meeting at 6:41 pm for the board to consider and adopt fees, rates, and charges for the lease, sale, and lease option of the contract provision of augmentation water ("Augmentation Certificates") to District customers ("Plan Participants") for the use of augmentation water provided by the District under the terms and provisions of the District's Regional Plan for Augmentation as decreed by the District Court for Water Division 2, State of Colorado, in Case No. 13CW3062 ("Augmentation Decree"). Authorization for the setting of rates and charges by the District for the provision of Augmentation Certificates for the replacement of depletions by Plan Participants under the Augmentation Decree is set forth, without limitation, in C.R.S. 37-45-118(1)(g) and the previously adopted Rules and Regulations of the District recorded with the Clerk and Recorder of Huerfano County at Reception No. 410680. The Augmentation Decree is recorded with said Clerk and Recorder at Reception No. 407501. Carol Dunn discussed the notices of the hearing

provided to customers and the public; those notices were evidenced by her Certificate of Service being Exhibit 10 of the record of the hearing.

Attorney Monson reviewed the costs the District has incurred beginning with investigations of developing an augmentation plan. Carol Dunn listed the documents used to determine costs incurred in obtaining the augmentation plan, including budgets, cash flow statements and audits that were made a part of the record. 85% of legal expenses were included, and Monson said this was a valid estimate based on his firm's research of past billings. Carol Dunn confirmed the accuracy of the augmentation plan costs summary being Exhibit 8 of the record of the hearing, and explained the supporting documentation for the augmentation plan contained in Exhibit 9 of the record of the hearing.

Engineer Faux explained that once the total augmentation plan costs were determined, they were divided by the firm yield of the William Craig Ditch water right to determine an applicable rate to recover the costs of the augmentation water by charging for the augmentation certificates. The Faux /TZA Water Engineers report concerning firm yield (year-round depletions caused by water users that can be replaced in a dry year) was included as Exhibit 6 of the record of the hearing. The recovery of costs based on firm yield, as determined and adjusted in the TZA report, was recommended as the criteria to be used to recover the costs of the augmentation plan. The Faux /TZA Water Engineers report concerning cost recovery and pricing considerations was included as Exhibit 7 of the record of the hearing. Faux went over both of these reports in detail and provided the results of his analysis, including the tables of his Exhibit 7 report. Considerations included, without limitation, (i) pricing tiers; (ii) grant and property tax revenues received; (iii) recovery of augmentation plan costs by the sale, lease, and lease to purchase of augmentation certificates; (iv) penalties for overages in use of augmentation water; (v) setting of annual administration fees to recover the annual costs of augmentation plan administration; and (vi) minimum and additional sales increments for augmentation certificates.

The exhibits considered by the Board and that were made a part of the record are listed in Exhibit A attached to these minutes.

Public comments were given by Ray Garcia, Larry Michaels, Keith Bouchard and Philip Cummings. Discussions were held regarding the public comments and issues raised. The public hearing was adjourned at 8:08 pm. After a break, the regular board meeting was reconvened at 8:20 pm.

Further deliberations and discussions concerning the public rate hearing were then held by the Board with questions for Faux, Monson, and Carol Dunn. The Board reviewed a proposed resolution prepared by Monson. Said resolution was unanimously passed upon a motion by White, seconded by Mace, with modifications to the draft to be made by Monson as then directed by the Board. The final form of Resolution 2018-7-1, as now passed by the Board, will be signed by the President and Secretary of the Board.

BILLS: White moved, Vallejos seconded and board approved paying the following bills, which total \$60,046.54 and transfer \$5,000 from ColoTrust. Board approved.

| Payable to | Amount | For |
|---------------------------------|-----------|-----------------------------------------------------------------------|
| Mountain States Financial Group | 120.00 | Bookkeeping, July |
| Monson, Cummins & Shoheit | 10,510.85 | Bd mtg, Sheep Mtn, aug plan, exchg storage, Ranch, Perrino |
| Dunn Write | 1,841.45 | Contract, mileage, mtg snacks, freight+handling PRWCD telemetry equip |
| Dunn Write | 166.25 | BIP Coordinator grant admin, 6/25/18 to 7/22/18 |
| Dunn Write | 157.50 | Infrastructure improvements grant admin, 6/25/18 to 7/22/18 |
| Dunn Write | 166.25 | PRWCD grant admin, 6/25/18 to 7/22/18 |
| Dunn Write | 120.00 | Collaborative Geotechnical Investig grant adm, 6/25/18 to 7/22/18 |
| La Veta Carpentry | 200.00 | Water analyst contract, July |
| La Veta Carpentry | 150.00 | HCWCD Web site maintenance, July |
| TZA Water Engineers | 12,808.39 | Water acctg; Perrino; special mtg; Road & Bridge addl water |
| | 5,565.00 | SMAF phase 2 |
| CenturyLink | 60.00 | Phone service, July |
| Postmaster | 27.00 | PO Box fee, 6 months |
| HRS Water Consultants | 7,911.00 | Infrastructure improvements grant project, June 2018 |
| Div of Mining & Safety (online) | 791.00 | Mining reclamation permit annual fee |
| Garald Barber | 5,314.05 | BIP Coordinator invoice for June 2018 |
| Wayne Arnold Excavating | 14,053.00 | Invasive Phreatophyte Control project (funding received) |
| World Journal Newspaper | 19.80 | Legal notice for rate setting meeting |
| Spanish Peaks Library | 65.00 | Rent, July |

At 8:28 pm, there was a motion by White, seconded by Vallejos, to go into executive session to discuss matters involving the regional augmentation plan and ongoing litigation, including the purchase, acquisition, lease or sale of real, personal or other property interest as in CRS 24-6-402(4)(a); conference with an attorney representing the District for the purposes of receiving legal advice on specific legal questions pursuant to CRS 24-6-402(4)(b); and determine positions relative to matters that may be subject to negotiations, developing strategy for negotiations, and instructing negotiators pursuant to CRS 24-6-402(4)(e).

At 8:40 pm, White moved, Vallejos seconded and board approved closing the executive session and returning to open session. The meeting was called back to regular session at 8:41 pm.

There being no further business, meeting adjourned at 8:51 pm.

Scott King, President

Carol Dunn, Secretary

HUERFANO COUNTY WATER CONSERVANCY DISTRICT

RATE SETTING MEETING

LIST OF EXHIBITS

Date: July 23, 2018

Operational cash flow report through 04/30/2018
Operational cash flow report through 12/31/2017
Operational cash flow report through 12/31/2016
Operational cash flow report through 12/31/2014
General fund budget 2018
General fund budget 2017
General fund budget 2016
General fund budget 2015
General fund budget 2014
General fund budget 2013
General fund budget revised 2013
Water Activity Enterprise Treasurer's report March, 2013
Water Activity Enterprise Treasurer's report February, 2013
Water Activity Enterprise Treasurer's report January, 2013
Water Activity Enterprise year-end Financial Report 12/31/2012
Water Activity Enterprise year-end Financial Report 12/31/2011
Water Activity Enterprise year-end Financial Report 12/31/2010
Water Activity Enterprise year-end Financial Report 12/31/2009
RWF Actual Expenses report, 2013-2014
Augmentation expenses report, 2009
Colorado Water Conservation Board Loan interest statement, 12/31/2017

Prepared by:
Carol S. Dunn
Administrator
Huerfano County Water Conservancy District