

Upper Gunnison River Water Conservancy District

Special Meeting Minutes

February 23, 2009

The Board of Directors of the Upper Gunnison River Water Conservancy District conducted a special meeting on Monday, February 23, 2009 at 1:00 p.m. at the Fire Station, Lake City, Colorado.

Board members present: Ralph Grover, Gary Hausler, Rebie Hazard, Bill Nesbitt, Jim Pike, Brett Redden, Steve Schechter, George Sibley, Ken Spann, and Dennis Steckel.

Board member not present: Steve Glazer.

Others Present:

Allen Brown, Hinsdale County Commissioner
Frank Kugel, UGRWCD General Manager
John McClow, UGRWCD General Counsel
Elizabeth Stuntz
Laurie Vierheller, Hinsdale County Administrator
Chuck Cliggett, Hinsdale County Attorney
Norah Smith, Town of Lake City
Dan Plies
District 62 commissioner
Bob Hurford, Colorado Division of Water Resources
Schuyler Denham, Town of Lake City Trustee
Michelle Pierce, Lake City Town Manager
Perk Vickers
Stan Whinnery, Hinsdale County Commissioner

1. CALL TO ORDER

Board President Brett Redden called the meeting to order at 1:00 p.m.

2. DISCUSSION OF LAKE SAN CRISTOBAL WATER ACTIVITY ENTERPRISE INTERGOVERNMENTAL AGREEMENT WITH BOARD OF COUNTY COMMISSIONERS OF HINSDALE COUNTY AND BOARD OF TRUSTEES OF THE TOWN OF LAKE CITY

John McClow said that the IGA has gone through three drafts and incorporates suggestions from the most recent Lake San Cristobal Oversight Committee meeting.

Appointment of Enterprise Board of Directors was discussed, specifically whether a Director needs to be a registered voter in his/her political division or whether residency is sufficient, and whether the Enterprise Director must be a member of the board of the appointing entity. Hinsdale County and Lake City have a very high percentage of seasonal residents, many of whom have legal residency elsewhere.

Concern was expressed about the possibility that the Enterprise could be purchased by a third party.

John McClow said that the way the IGA is currently written, if one party withdraws from the Enterprise, the two remaining parties would each appoint one director to replace those from the withdrawing party, not necessarily chosen by, nor from the area represented by the withdrawing party.

Steve Schechter said it is really important that Enterprise directors be registered voters in their political subdivision.

John McClow said the best way to make the IGA a document that endures is to have the fewest number of particulars. He said that there needs to be a high level of comfort with the concept of attendance by telephone at the board meetings, especially because of the high quorum requirement.

The conclusion of the group was to leave appointment requirements to each of the political subdivision members of the Enterprise.

Concern was expressed that if the Town of Lake City and Hinsdale County withdraw due to financial considerations, the Upper Gunnison District would have complete control of the project and the project may not benefit the in-basin residents.

Ralph Grover said that the language in the water sales contracts would include that the water be for in-basin use only. That will be defined in the contracts.

John McClow said that there will be legal limitations in the Plan for Augmentation itself. The Enterprise board will have the opportunity to

make sure that plan is limited to in-basin beneficiaries. The UGRWCD board will have very little control over how the plan operates.

John McClow said that regarding section 3.2, Real Property, he and Chuck Cliggett would like to be allowed more time to continue to work on the agreement including whether a lease in perpetuity agreement on the land under the outlet structure is the best route to follow, or whether an easement is more appropriate.

The group discussed sections 4.2.1, Management. Section 4.2.2.2. sets a maximum amount of 50 acre-feet that can be sold to a single purchaser without unanimous, written approval of the Enterprise Board. Section 4.2.2.3 sets limitations on sales to industrial/commercial/mining interests. The consensus of the group was to strike section 4.2.2.3 because section 4.2.2.2 is sufficient.

In section 4.2.3., Ken Spann suggested rewriting the second sentence so that it reads, "Such revenue shall be applied first to operating expense of the Enterprise, and to the establishment of such operating and capital reserves as the Enterprise deems prudent, and to repayment of obligations of the Enterprise to the Parties in equal priority." He said that the Enterprise should start building reserve fund with the first augmentation certificate sold.

Section 5, Capitalization of The Enterprise

Ralph Grover suggested conducting budget meetings during the summer, when the seasonal residents are here to attend.

If drafted and presented by the Enterprise Manager during the summer, the budget will not unduly burden the member entities' boards, and could help them in their fall budget process.

Section 6, Withdrawal

The group discussed the possibility of entity being prohibited from selling their portion of the enterprise to someone other than the other two parties.

Ralph Grover said, in response to some concern he has heard that water could be transferred out of the basin, 4,000 acre feet were present during the 2002 drought, and 2,000 have now been locked up. This goes further towards limiting any outside effort to obtain that water.

The group discussed Attachment C.

John McClow said that a base unit is defined as the amount of water required to augment depletions for indoor use by a single family dwelling.

Ken Spann asked if augmentation certificates would protect diversion structures other than wells. John McClow said that the language specifies, "wells or other diversion structures, will be referred to as wells," and so other structures are covered.

Under section 4.2.1, the Enterprise board shall have the discretion to modify or amend the administrative provisions of the agreement.

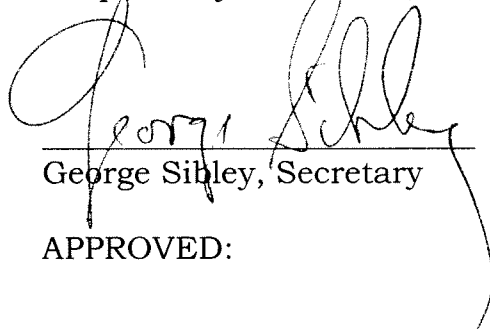
Bill Nesbitt asked about foreclosure. Ken Spann said that if an augmentation certificate holder does not pay the annual assessment, the Enterprise has the right of foreclosure on the water service contract and their well will no longer be protected.

Brett Redden said this has been a good exercise and he thanked everyone for turning out.

3. ADJOURNMENT

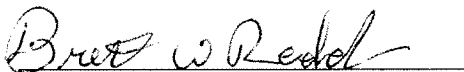
Board President Brett Redden adjourned the February 23, 2009 meeting at 3:00: p.m.

Respectfully Submitted,



George Sibley, Secretary

APPROVED:



Brett W. Redden, President