

Upper Gunnison River Water Conservancy District Regular Meeting Minutes

November 16, 2009

The Board of Directors of the Upper Gunnison River Water Conservancy District conducted a regularly scheduled meeting on Monday, November 16, 2009 at the District's offices, 234 North Main Street, Suite 3B, Gunnison, Colorado.

Board members present: Steve Glazer, Gary Hausler, Flynn Mangum, Bill Nesbitt, Jim Pike, Brett Redden, Steve Schechter, George Sibley, Ken Spann and Dennis Steckel.

Board member not present: Rebie Hazard.

Also present:

Butch Clark

Frank Kugel, General Manager

Pam Montgomery

Drew Nelson

Jill Steele, Office Manager

Bill Trampe, Colorado River Water Conservation District

1. CALL TO ORDER

Board President Brett Redden called the meeting to order at 6:33 p.m.

2. AGENDA APPROVAL

Steve Schechter moved and Flynn Mangum seconded approval of the agenda as circulated. The motion carried.

3. CONSENT AGENDA ITEMS

Gary Hausler requested removal of the October 26, 2009 minutes.

Flynn Mangum moved and Steve Schechter seconded approval of the remaining consent agenda items. The motion carried.

Corrections to the October 26, 2009 minutes include:

Page 13, the motion at the top of the page should read: Bill Nesbitt moved and Rebie Hazard seconded to authorize Gary Hausler to continue to seek additional local institutions for deposit of District funds to a maximum amount of \$250,000 per institution, with FDIC insurance, to no more than \$1,000,000, from the ColoTrust account. The motion carried.

Page 8 in the roll call vote, Ken Spann recused himself from voting, rather than declining to vote.

Steve Schechter moved and Bill Nesbitt seconded approval of the October 26, 2009 minutes as corrected. The motion carried.

George Sibley abstained from voting because he did not attend the October 26 meeting.

4. MANAGER'S REPORT

Frank Kugel said he sent his report to the board electronically. It was suggested and agreed that any public information that is sent out electronically be made available to the public on the District's website.

Butch Clark suggested including the public in the electronic mailing.

5. COLORADO RIVER WATER CONSERVATION DISTRICT UPDATE – BILL TRAMPE

Bill Trampe said that the CRWCD has not met since the last UGRWCD meeting.

In the mediation process, the federal court system will not allow more delays in the decree issues that are delayed as a result of this mitigation. So right after the first of the year, active litigation will commence.

The biggest reason Bill comes to these meetings is to listen and be a conduit back to the River District as the Gunnison County representative.

8. BOARD/STAFF/COMMITTEE MEMBER REPORTS

Gunnison Basin Roundtable

Frank Kugel said that on Wednesday at 9:30 the CWCB will discuss the water assessment study discussion during their meeting.

Frank said that currently \$185K is slated for the Agricultural Shortage study. If the study does not proceed, that money could be made available for the Lake San Cristobal project.

Ken Spann said that if the ag shortage study does not go through, there is no guarantee that the money would be used for Lake San Cristobal.

Steve Glazer said that the GBRT needs to meet its statutory requirement which is to complete the needs assessment. The question now is whether the state still insists on quantification of the non consumptive uses.

Bill Trampe said that the Yampa basin is still continuing with its ag shortage study.

Treasurer's Report

Gary Hausler said he continues to work on locating financial institutions for deposit of District funds, as directed at the October 26, 2009 board meeting. Some banks do not want to take more public funds due to TARP implications. Three banks in Saguache, Delta, and Montrose are interested and meet District criteria. They have sent forms and information.

Brett Redden said that the board should revise its resolution listing banks designated as depositories of District funds before depositing funds. The board will adopt a revised resolution at the December 10, 2009 meeting.

6. PUBLIC HEARING ON DRAFT 2010 BUDGET

Board President Brett Redden opened the public hearing.

Pam Montgomery questioned the board on setting the mill levy higher than last year's in the currently difficult economy.

Brett Redden said that the board tries to grow District reserves at a rate sufficient to take care of unforeseen problems that may come up. The board has taken the step of holding staff salaries at the 2009 rates. Setting the mill levy is a function of funding District priorities in the budget.

Frank Kugel pointed out that \$30,000 for funding of a mobile weather station has been removed from the budget. An adjusted assessed valuations statement has been received from Hinsdale County. Last year's mill levy was set at 1.772, and with those recent adjustments, the mill levy reflected in the current draft budget is 1.775.

Drew Nelson said that any tax increase would have an adverse impact and he suggested the board look at other options.

Frank Kugel said that, to put it in perspective, if a mill levy of 1.772 were maintained, instead of 1.775, it would mean a \$2,000 reduction in expenditures for the year.

Butch Clark commended the board on holding things steady and balancing the budget. He said that drought can be a huge problem and is one reason the reserve is needed. He said he thinks the District is doing a great job. He said he hopes there is a way to expand the water quality monitoring program sites in the future.

Pam Montgomery said that although the dollar amount is very small, the issue is one of perception of raising taxes in tough economic times. She suggested that the board might reduce the budget by \$2,000 and be able to say it did not raise taxes this year.

Ken Spann thanked Ms. Montgomery and Mr. Nelson for coming and giving their input. He said he does not want to be in the position of not lowering or not raising taxes due to perception. He prefers that the board decide what monies are needed, and set the mill levy against the assessed valuations. That is a number that should change every year. It is essential to keep a war chest; the community expects it. Ken thinks the assessed valuations are going to go down significantly during the next assessment cycle. When they do, he does not want to get caught having to increase the mill levy to the full allowed amount of 2.000 mills all at once. It will cost millions of dollars to defend the basin against another transbasin diversion attempt.

Gary Hausler said that the assessed valuations have gone up \$42 million. By holding the mill levy the same, the District automatically receives more revenue. He believes the board should continue with setting the mill levy to create a balanced budget, after first discussing the individual items within the budget at length.

George Sibley said he appreciates people coming to the meeting. He noted that last year, the District dropped the mill levy almost .25 mills, and decided to continue to let the mill levy be determined by the budget.

Steve Glazer said that the board has spent many hours on this draft budget and is being very true to its mission to drive the budget based on the needs of the District. Based on the adjustments Frank explained that were made since last meeting, the mill levy is down from 1.816 to 1.775, based on needs, not perception.

Gary Hausler said he also appreciates the public attendance. He said the District needs the war chest, which the board has decided needs to contain at least \$2.5 million.

Brett Redden added that the war chest needs to increase a bit each year for inflation in order to send a strong signal to the other side.

Ms. Montgomery and Mr. Nelson thanked the board members for their candor.

Brett Redden closed the public hearing.

Brett Redden reconvened the regular meeting.

7. DISCUSSION OF 2010 DRAFT BUDGET

Brett Redden proposed reducing the \$12,000 in the election line item and establishing a reserve for elections and amortize it over a period of years.

Steve Glazer said that next year there is a census. Every time there is a census, this board may choose to reorganize. The last time the District reorganized, a seat was added to the upper East River Valley due to population growth, but there was no reduction in the number of City of Gunnison seats. He said there is a need to look at how many seats the City of Gunnison should have based on population. He said that with a total of eight seat vacancies in the next two years, amortization of the election costs would not work.

The board discussed whether or not to attempt to maintain the mill levy for 2010 at the 2009 level of 1.772 mills by reducing the water rights acquisition portion of line 47, basinwide planning, and/or the grant program portion of line 50, regional water supply improvement program.

Steve Schechter moved to reapprove the mill levy of 1.816 that was preliminarily approved last month. Bill Nesbitt seconded.

George Sibley said that line 47 could be reduced a bit because the \$100,000 currently budgeted for water rights acquisition is a fantasy number.

Steve Schechter said that the budget should drive the mill levy, not the reverse. It is important to show that the District may legally raise the mill levy again, to a maximum of 2.000 mills again in the future if necessary.

Jim Pike said if the budget can be adjusted by \$2,000, the board should do so.

Frank Kugel said that the District has received a proposal for the purchase of a water rights portfolio including small amounts of very senior water for a price of \$600,000, so the \$100,000 in line 47 will not go very far.

Bill Nesbitt asked Frank for his opinion on the mill levy and expenses. Frank suggested adjusting the grant program portion of line 50 to \$98,000 so that the mill levy could be set at 1.772.

Steve Glazer said that although the \$100,000 would not be sufficient to buy water rights, it would be used for earnest money to tie up an acquisition while deciding how to finance a purchase.

Gary Hausler called for the question on the motion.

Roll call vote:

Steve Glazer	yes
Gary Hausler	no
Flynn Mangum	no
Bill Nesbitt	yes
Jim Pike	no
Brett Redden	no
Steve Schechter	yes
George Sibley	no
Ken Spann	no
Dennis Steckel	no

The motion failed seven to three.

Steve Glazer moved to adopt a budget that creates a balanced budget with a mill levy to meet budget needs at 1.775. Gary Hausler seconded.

Ken Spann said we are getting ahead of ourselves. The budget is formally adopted and the mill levy formally set at the December meeting. Tonight's meeting is to hear from public, discuss their input among ourselves, and direct staff to prepare the budget.

Steve Glazer withdrew his motion. Gary Hausler agreed.

Frank Kugel reminded the board that board input was given at the October meeting, and the only thing to do tonight is respond to feedback from the public hearing. The mill levy cannot be set tonight because the final assessed valuations have not been received.

George Sibley suggested that line 47 could be reduced without harming the intent of the line item and could keep mill levy to 1.772 in response to the input from the public.

Dennis Steckel said that he would like to see mill levy remain the same as last year's but he voted in favor of it at the last meeting because it was a small increase. He said he would support a mill levy of 1.775, but not by reducing line 47 because it represents what the District is really about. Another line item could be cut, but not elections. He said he could support making a cut to the grant program.

Steve Schechter agreed with Dennis about line 47.

Steve Glazer moved and Bill Nesbitt seconded to instruct staff to prepare the budget and mill levy for adoption in December as drafted for the public hearing.

A roll call vote was conducted. The motion carried unanimously.

8. BOARD/STAFF/COMMITTEE MEMBER REPORTS – Continued

Taylor Park Reservoir

Ken Spann said that we received the year-end Gunnison River spreadsheet, which showed that the first-fill account in Taylor Park Reservoir had been satisfied as of November 1. Further explanation of the accounting will take place at the December meeting.

Strategic Planning Committee

George Sibley said the committee met and discussed three items: paperwork reduction, water rights acquisition, and the Water Management Plan.

Steve Glazer said the group discussed establishing criteria for acquisitions. Staff will come up with a proposal for this board to consider and adopt.

Frank said that reasons for acquisitions that were stated at the committee meeting include protection from abandonment, augmentation for wells and irrigation rights, and to retain in-basin use of water. He and John will also prepare a primer on how changes of water rights and transfers work.

As far as the Water Management Plan discussion went, there was a computer glitch which resulted in the loss of some revisions made by John. John found some sections to be redundant and able to be simplified.

Project Committee

The board discussed the October 23, 2009 memo from the Colorado Water Trust, and a draft letter to the CWCB indicating the District's support of the CWCB's potential acquisition of the Breem Ditch water right.

Ken Spann recused himself from the discussion.

Steve Glazer said that the project committee met on November 4, 2009 and looked at the information available on the Breem Ditch proposal. The committee came to a consensus and puts forth the following recommendation for the board's consideration:

Based on the thoroughness of the review of the information available to the committee, the project committee recommends submitting a letter of support to the CWCB for its consideration on its deliberation on the Breem Ditch water rights acquisition.

Gray Hausler said that the recommendation was to write a letter of support but not to make a funding commitment at this time.

Flynn Mangum said he would support the letter if the District files a statement of opposition to make sure there is no downstream injury. Steve Glazer said it is the board's policy to do this.

Brett Redden said there is a difference in management of an instream flow water right and an irrigation right. When the CWCB places a call on this stretch of water, will it be a hard call on those water rights above them which will dry up the irrigation water above the right.

Frank Kugel said that Water Commissioner Richard Rozman has voiced that concern also.

Dennis Steckel asked if the CWCB would have the whole 5.45 cfs and no consumptive use. Frank Kugel said the consumptive use component of the Breem Ditch right will be left in Washington Gulch and taken out of the Slate River.

Gary Hausler called for the question.

Roll call vote:

Steve Glazer	yes
Gary Hausler	no
Flynn Mangum	no
Bill Nesbitt	no

Jim Pike	yes
Brett Redden	no
Steve Schechter	yes
George Sibley	yes
Ken Spann	recused
Dennis Steckel	no

The motion failed 5 to 4.

Gary Hausler moved to send the draft letter to the CWCB supporting this and enter into this case as an opposer when it comes to the change in point of diversion.

Steve Glazer said he does not see a difference between this motion and the original previous one because it is a policy of this board to get involved in cases that could impact our water rights.

Flynn Mangum called for the question.

The motion carried.

Steve Glazer expressed frustration about the board not following the guidelines and priorities it establishes.

Building Committee

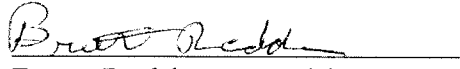
Frank Kugel said the purchase of the new building closed on October 30, 2009. There was an issue with the furnace which has since been fixed. Frank and John visited the Upper Arkansas River Water Conservancy District offices Tuesday. General Manager Terry Scanga gave them a tour and provided some good ideas on meeting room audio-visual setup and lighting. Currently staff is in the process of seeking people to do design to incorporate ideas. A request for proposals will be sent out in the next few weeks, and an energy audit will be scheduled.

Frank suggested meeting at the District's new building prior to the next board meeting for a tour and pizza. The consensus of the board was to meet at 5:30 at the new building on December 10, 2009.

9. MISCELLANEOUS MATTERS

Bill Nesbitt said he read a letter in the Pueblo Chieftain about a possible bill by Sal Pace providing basin-of-origin protection.

APPROVED:


Brett Redden, President