

**Upper Gunnison River Water Conservancy District
Board Meeting Minutes
Monday, October 22, 2018**

The Board of Directors of the Upper Gunnison River Water Conservancy District conducted a regularly scheduled meeting on Monday, October 22, 2018 at the District's offices, 210 West Spencer Avenue, Suite B, Gunnison, Colorado.

Board members present: Rosemary Carroll, Kathleen Curry, Rebie Hazard, Stacy McPhail, Bill Nesbitt, John Perusek, and Julie Vlier.

Board members not present: Julie Nania, Michelle Pierce, George Sibley, and Andy Spann.

Also present:

Fred Benson, Gunnison County Stockgrowers
Will Dujardin, Town of Crested Butte
Tori Jarosh
Jesse Kruthaupt, Trout Unlimited
Frank Kugel, General Manager
John McClow, General Counsel
Paul Mowery, Gunnison County Stockgrowers
Greg Peterson
Jason Peterson, Gunnison County Stockgrowers
Bob Robbins
Jill Steele, Office Manager
Alphonse Tamarcaz, Gunnison County Stockgrowers
Henry Woods, Lake San Cristobal Water Activity Enterprise

1. CALL TO ORDER

Board Vice President Kathleen Curry called the meeting to order at 5:33 p.m.

2. AGENDA APPROVAL

Bill Nesbitt moved and Julie Vlier seconded approval of the agenda as circulated. The motion carried.

3. CONSENT AGENDA

Kathleen Curry removed the September 24, 2018 minutes from the consent agenda.

Bill Nesbitt moved and Julie Vlier seconded approval of the remainder of the consent agenda items. The motion carried.

September 24 minutes: On page 8 under the discussion of the Gunnison Basin Roundtable, Kathleen Curry wanted to add some language to the effect that the GBRT took a position at its last meeting in support of the CRWCD's position regarding drought contingency planning, opposing mandatory curtailment. And that the UGRWCD also supported the position of the CRWCD with regard to criteria and sideboards to drought contingency planning.

Above the Education Committee update, Kathleen Curry requested to add language similar to that in the GBRT's September 18, 2018 letter to the CWCB communicating the GBRT's support of the language in the resolution by the Colorado River Water Conservation District and the Southwest Water Conservation District, including opposition to mandatory curtailment.

Kathleen will provide a copy of the resolution for use in amending the minutes.

Rebie Hazard arrived.

Julie Vlier moved to approve the September 24, 2018 meeting minutes with the inclusion of the language above and referencing the September 18, 2018 letter to the CWCB. Kathleen Curry seconded. The motion carried.

4. LEGAL MATTERS

John McClow said that accommodation has been reached with the Division Four Engineer for the accounting on the Meridian Lake Reservoir water right, and it will be possible to make 150 acre feet of that absolute in this diligence cycle.

John said that he met with the CRWCD and the UVWUA to discuss the modernization and proposed extension of the 1975 agreement for 50 more years. The current agreement expires in 2025. They went through some proposed revisions and came to an understanding on what to propose to the Bureau.

5. MANAGER'S REPORT

Frank Kugel said that Blue Mesa Reservoir is currently at 7,438.87 feet elevation, or 81 feet below spill. A week ago, it passed the 2002 low level and is now close to the previous record set in 1977. Gunnison County is in an extreme drought. Most of Hinsdale County is in exceptional drought. The drought is forecast to persist.

6. COLORADO RIVER WATER CONSERVATION DISTRICT UPDATE – BILL TRAMPE

Bill Trampe did not attend the meeting.

7. DROUGHT CONTINGENCY PLANNING DISCUSSION

John McCLOW said that the key issue in contention is whether demand management will include mandatory involuntary curtailment of consumptive use. The State has said that it is not contemplating anything that involves mandatory reduction in consumptive use and is just looking at temporary voluntary compensated reduction in consumptive use. Federal legislation is being drafted to create an account in CRSP reservoirs that would be available to the Upper Colorado River Commission without charge, and not subject to equalization and balancing of Lake Powell and Lake Mead under the 2017 guidelines. This would be contingent upon adoption by the UCRC and the four upper division states. The timing to propose the legislation is opportune in a lame duck session. The lower basin also needs a plan. Having all seven states together proposing legislation would add to the likelihood of success.

Kathleen Curry asked what the District's stance would be in supporting the legislation if there is not a state commitment to only voluntary curtailment of consumptive use.

Rosemary Carroll said that we do not yet know what the CRWCD's language is until their meeting, so we may not need to worry about backing the legislation or not. She said that her opinion is to support the concept of the bucket, but not involuntary curtailment.

Bill Nesbitt said that he asked Bob Hurford how the Division Engineer would handle compact compliance, and he said by using the appropriation doctrine until they hear differently.

John McCLOW said that in the event of the need for compact response the State Engineer has the obligation to provide rules and regulations by which the curtailments he enforces to meet compact compliance are fair and equitable across the state.

Julie Vlier said she supports the legislation as it has been drafted because it is proactive, and we are able to move some things forward and it is a framework.

We should rally behind it and not splinter. She said she thinks there should be a board presence at the CWCB meeting to reinforce our position. Kathleen Curry said that if the board wants someone to attend, either she or Michelle Pierce could go to the meeting, which will take place in Golden on November 14 – 15, 2018.

Rebie Hazard said that we need a guarantee that both sides of the divide would be treated the same. John agreed that it is important that whatever is decided must be fair and equitable to both the east and west sides of the state.

Kathleen asked for a show of hands indicating support on the federal legislation. All board members indicated their support.

Kathleen suggested circulating a letter articulating the UGRWCD's position with regard to the demand management program.

Kathleen asked for citizen comments.

Steve Schechter said that he wanted to see a commitment from this group to address carbon because without that, we are looking at declining hydrology.

Greg Peterson said that the decision the CWCB makes in November will be the important piece in all of this and will tell how it will move forward. To be involved in the legislation before that is not worthwhile. The board should comment strongly at the CWCB meeting. We need to be ready to litigate it, and he recommended that the board keep the reserve strong for this possibility.

Bill Nesbitt said he would like to quantify overall losses to the community associated with a continued drought. Kathleen said that that could help understand some of the results and impacts of curtailment. John said that is exactly what the risk study is about that the two conservation districts support.

8. DINNER BREAK

9. BOARD/STAFF/COMMITTEE MEMBERS REPORTS

Treasurer's Report: Bill Nesbitt said we are moving right along, have made some good trades.

Taylor Park Reservoir: Julie Viler said that last month, the board recommended the Four Parties approve winter releases of 50 cfs . The request was approved. John McCLOW said that Barney White attended the Four Parties meeting in person, and Ernie Cockerel attended by phone. They repeated their opinions and recognized the authority of the Bureau of Reclamation. Barney suggested a meeting for early next year.

Frank Kugel said that last Saturday, a SNOTEL lite was installed up Italian Creek basin. It provides a lot of weather information, including solar radiation, wind speed and direction, temperature, and snow depth. The purpose of the SNOTEL lites is to gather data to use in conjunction with the full SNOTELs, Park Cone in particular, to get a correlation between them.

Gunnison Basin Roundtable: Kathleen Curry said that the next GBRT meeting will take place November 19. The agenda for that meeting is not yet set.

Watershed Management Planning Committee: Frank Kugel said that George Sibley included a report in the board's packet. The effort is moving forward towards completion of the needs assessment phase. Wilson Water Group is working on a consumptive use analysis for the basin. Jeff Deems presented at a recent meeting on the ASO (Airborne Snow Observatory). It calculated 138,000 acre feet of snowpack in the East River basin. The Colorado water forecast center calculated 108,000 acre feet. The gage at Almont measured 78,000. Frank asked Wilson Water Group if they had consumptive use data regarding the difference between how much snow there was, and how much flowed out of the basin as water, due to growing hay. Rosemary Carroll said that she does a lot of modeling, and her models show that in a dry year, consumptive use can reach well over 70% of precipitation. She said that in a dry year, most of the water is consumed by upland vegetation, soil evaporation, and sublimation, not just agriculture.

Wet Meadows Project Update: Frank Kugel said that Tom Grant was unable to attend the meeting, and he submitted a report. Frank said that it is a great program and that Tom goes above and beyond what he needs to do. Kathleen encouraged the board to read Tom's report when they have a chance because it is quite thorough. Rebie Hazard added that when Tom gives reports during board meetings, he provides a lot of information.

Update on Scientific Endeavors within the District: Rosemary Carroll said that the LIDAR "snow off" flight was done the last day of September. Later, when there is snow, they will do a flight and measure the difference. This will be done for the Taylor and East River drainages moving forward. There will be four ASO flights next year, two will be done by the State, and two by a NASA program called Snow C. For our purposes, we are mostly concerned with peak snow. That will be monitored at a very detailed level this year.

Rosemary said that for a conference in December, she submitted an abstract in terms of forecast modeling based on ASO to compare and contrast with the national water model that is used in the Taylor basin.

Rosemary said she met with Frank and Julie Vlier to discuss how to communicate science better to the District as a whole.

Frank Kugel said that the Colorado Basin Forecast Center for the first time is holding open houses outside of Salt Lake City. There will be one in Denver this Thursday to discuss current forecast methods and results. He plans to attend.

10. 2019 BUDGET DISCUSSION

Discussion of Goals, Activities, and Draft 2019 Budget

Julie Nania will listen to the discussion via telephone.

Kathleen Curry said that the board received memos from her and from George Sibley.

Kathleen said she wants to wait to discuss salaries until after the Executive Committee meets and makes a recommendation.

The board discussed the budgeted revenues. Bill Nesbitt suggested increasing line 4, interest on investments. The consensus of the board was to increase it to \$40,000.

Kathleen said that the board has a policy to maintain a \$4 million reserve fund. The current draft budget calls for using some of the District's reserve fund for some large items such as the purchase of Aspinall water to offset a Gunnison Tunnel call. This results in the reserve dipping below \$4 million. This led her to think about reducing other expenses because she is concerned that the District could need all the money it has set aside to protect this basin if Lake Powell's level continues to decrease.

Julie Vlier said that the numbers will change as the board refines the draft budget. She said that sometimes it is appropriate to dip into the \$4 million reserve due to the situations before us. Kathleen agreed, and said that it is also prudent to consider if it is possible to subsequently replenish the reserve.

Rebie Hazard said that the CRWCD had to not fund their grant program for two years in order to come up with more money, and it may come to that for this District.

Next, the board discussed operating expenses.

Line 18, Public Outreach: Bill Nesbitt said the amounts in this line item came out of the Education Committee.

The consensus of the board was to fund line 18 for a total of \$33,000, broken down as follows: Website updates, \$1,000. Public education/advertising: \$7,000. Gunnison River Festival support: \$7,500. Internship: \$4,000. Mini-Grants: \$2,000. Youth Conservation Corps support: \$6,500. Social media: \$5,000.

Line 28, Board of directors' expenses: The consensus of the board was to remove funding for the board retreat.

Line 34, Memberships and dues: The board discussed continued funding of the Colorado Water Workshop, which is in a period of re-branding.

Kathleen Curry moved to not fund the Colorado Water Workshop in 2019. Bill Nesbitt seconded. The motion failed.

Stacy McPhail moved to include \$3,500 in the 2019 budget for the Water Workshop, with the expectation that the workshop improves. Bill Nesbitt seconded. The motion carried.

The board discussed the non-operating expenses:

Julie Vlier suggested adding \$30,000 to refine modeling tools used to forecast inflows to Taylor Park Reservoir. This could go under line 39, Taylor Park Projects, or it could be added to line 44, sub-line item Taylor River Watershed Modeling which previously had \$50,000 budgeted. Frank Kugel said that the existing \$50,000 is budgeted for the SNOTEL lites.

Frank said that the Bureau of Reclamation operates the reservoir, and they are obligated to use CBRFC forecasting model. They have stated that they could do a better job with forecasts if they had more data. It is to our benefit to make recommendations, but they will still use CBRFC. At the last TLUG meeting, Mark Schumacher was vocal on improving forecasting and spending resources on that.

Stacy McPhail asked if this is anticipated to be a one-time expense or an ongoing expense. Julie Vlier said it might be ongoing for the next few years, but she is not sure if it would be ongoing beyond that.

The board discussed line 41, Basin Augmentation Program, in particular the sub line item Projects Development & Evaluation Costs. Julie Vlier said that the District's Goal 3 includes conducting feasibility level evaluations analyzing some projects in the District. She suggested this be a priority 1. She said that even though we are in a drought, the board needs to be proactive and look to the future and not stop what it has going on now. She said this could entail hiring consultants to help with the evaluations. She estimated \$210,000 for

that effort. Bill Nesbitt said he would rather that money be spent on buying water out of Blue Mesa Reservoir than on consultants.

Kathleen Curry asked the board about their level of interest on small projects. Rebie Hazard said she would like to do it, but that now may not be the right time. Bill Nesbitt said that what concerns him is that there are no definitions or parameters.

Frank Kugel said that Jesse Kruthaupt brought a landowner to his attention, and he looked at the property which is on Castle Creek. He does not consider that the board needs to include a large amount of money in the budget for evaluation of potential projects. He recommended not including a large sum in the budget that may not be spent in a given year. The board has the ability to appropriate additional funds if needed.

Rosemary Carroll said that the Projects Committee needs to be more proactive and hold additional meetings and start to identify potential projects and move them forward.

Frank said that as part of the Watershed Management Planning process, projects will be identified next year, and there are funds budgeted under that process to address and engineer those projects.

John Perusek said he prefers that work be done in house rather than hiring consultants.

Kathleen Curry asked for public comment. Greg Peterson said he likes the idea, but does not know if the amount is right. He said he does not like spending a lot on consultants either. He said that there was a lot of work done with the Upper Gunnison Project as far as engineering and consultant work. As a first step, the board could look at that and see why nothing moved forward. And to see if there is different to do, such as bigger storage, gravel pits, non-jurisdictional, or off-channel storage. It takes some irrigator initiative and then this board possibly enlarging its grant program. If it continues to be the board's policy that the irrigators have to pay for it all, then it is a waste of time. There should be components of multiple use that can go towards paying for the projects.

Alphonse Taramarcaz asked where such projects would be built. He said that Long Branch was looked at years ago. The water user at the bottom end of a reservoir gets the short end of the stick every time.

Kathleen Curry moved to increase funding for projects development & evaluation costs in line 41 to \$40,000. Bill Nesbitt seconded. The motion carried.

Under line 42, building expenses, the board decided to remove funding for solar panels from the 2019 budget.

Rosemary Carroll said that although she is in the minority, she wants to be on the record as being in favor of the solar panels because it is an investment that saves the District money.

The board discussed line 43, potential purchase of Aspinall water. John McCloy said that the current, 2018 price for ag water is \$53.88 per acre foot. The amount included in the draft budget will buy 3700 acre feet, which, if the Gunnison Tunnel shortage is 400 cfs, will buy about 4 days of keeping the call off.

Frank said that if the UVWUA places a call during April, the shortages will be less and so the 3700 acre feet would last longer. This seems to be a prudent way to go as far as getting more days, although it would not help everyone.

Frank suggested involving the stockgrowers to see when the water would be the most helpful.

Greg Peterson said that in marginal years, when the shortages are less, this does the most good.

Julie Vlier said that she would feel more comfortable budgeting \$300,000, to cover April and into some of May.

Katheen Curry said she would like to know what Bill Trampe and other big irrigators would say. She thinks the board should budget \$300,000 or \$400,000, otherwise we fill the April hole only. She said she believes it is a proper use of the District's reserve and wants to take into strong consideration that addressing the earlier hole would help the whole basin and not just the Gunnison basin.

Bill Nesbitt wanted to know what percentage of hay crop the irrigators present got this year. Greg Peterson said about 70%. Alphonse Taramaraz said %70. Paul Mowery said 60-70%, and it is all about the timing.

The consensus of the board was to include \$300,000 in the 2019 budget for potential purchase of Aspinall water.

The board discussed the District's Grant Program, under budget line 44. Bill Nesbitt said he would like to increase the funding for that because it provides real help to the ranching community. The consensus of the board was to leave the funding at the current level of \$150,000.

Frank said that the UGSG's share of the Water Quality Monitoring Program, in budget line 46, has dwindled over the years, but it still provides about one-third of the costs. The cost is increasing for 2019 because we were assuming the cost for a couple of temperature sensors, a new gage, and reactivation of one on Ohio Creek.

If the board were to set the mill levy at the full legally-entitled limit of 2.000 mills, it would result in approximately \$29,000 additional revenues.

Kathleen said that although purchasing water out of Aspinall is a worthy endeavor supported by the board, she does not want to see the reserve fund decrease each year. She suggested including a paragraph in the budget message to make the point that this budget was oriented towards an extremely dry year situation which the board is making an effort to address, and that this is not intended to be a yearly occurrence.

Bill Nesbitt moved that the draft 2019 budget as discussed this evening be approved subject to the Executive Committee's review and recommendation on salary and benefits. Julie seconded. The motion carried.

11. MISCELLANEOUS MATTERS

Bill Nesbitt said that the District should do more than risk management from a flow regime point of view, as it is also necessary to look at it in terms of dollars.

12. CITIZEN COMMENTS

Paul Mowery said it would be good to expand on Bill Nesbitt's comments on effects of drought management on the local economy. He said the District needs to have its ducks on a row when talking to the CWCB. He suggested the District could hire a statistician to analyze and present the information.

Greg Peterson thanked the board for the new streamflow gage because it helps a lot of irrigators in the basin. He said he would be interested in the information the District gathers from the dust on snowpack study.

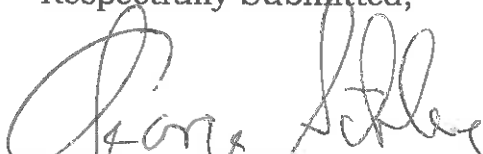
13. FUTURE MEETINGS

Frank said that tomorrow from 10:00 a.m. – 4:00 p.m. at Colorado Mesa University, there is a seminar workshop put on by the Grand Valley Water Users Association about contingency planning. He will participate in the morning and afternoon panel. The workshop is geared towards agriculture and how it would be affected by drought contingency planning.

14. ADJOURNMENT

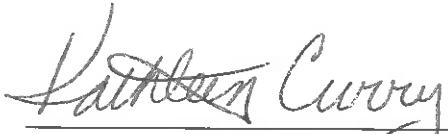
Board Vice President Kathleen Curry adjourned the October 22, 2018 meeting at 9:24 p.m.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "George Sibley".

George Sibley, Secretary

APPROVED:

A handwritten signature in cursive script, appearing to read "Kathleen Curry".

Kathleen Curry, Vice-President