

RECORD OF PROCEEDING

**SOUTHEASTERN COLORADO WATER
CONSERVANCY DISTRICT**

MINUTES

September 18, 2008

A regular meeting of the Board of Directors of the Southeastern Colorado Water Conservancy District was held on Thursday, September 18, 2008 at 10:07 a.m., at the District office, 31717 United Avenue, Pueblo, Colorado.

President Long announced a quorum was present.

DIRECTORS PRESENT:

Bill Long	Harold Miskel	Scott Reed
Ann Nichols	Howard "Bub" Miller	Edward Bailey
Gibson Hazard	Greg Johnson	Lee Simpson
Lissa Pinello	Reed Dils	Carl McClure
Shawn Yoxey	Kevin Karney	
Alan Hamel-Advisory Board Member		

DIRECTORS ABSENT AND EXCUSED:

Vera Ortegón

DISTRICT OFFICIALS PRESENT:

Attorneys Stephen Leonhardt and Alix Joseph; Executive Director James Broderick; Administrative Manager Toni Gonzales; Projects Manager Phil Reynolds; Chief Financial Officer Kathie Fanning; Director of Engineering and Resource Management Bob Hamilton; and Federal Lobbyists Ray Kogovsek and Christine Arbogast.

INTRODUCTION OF VISITORS:

President Long welcomed the visitors to the meeting, and asked them to introduce themselves and identify the organization they represented.

VISITORS PRESENT:

CJ McKeral and Roy Vaughan, U.S. Bureau of Reclamation; Chris Woodka, The Pueblo Chieftain; Steve Witte, Colorado Division of Water Resources-Division 2; Tom Simpson, Aurora Water; Michael Fink, City of Fountain Water Utility; Pat Edelmann, U.S. Geological Survey; Brett Gracely, Colorado Springs Utilities; Kevin Meador, Black & Veatch; Brenda Fillmore, AGUA; Doris Morgan, Senator Allard's office; Dan Henrichs, High Line Canal Company; Jerry Peña, MWH; Jay Winner, Lower Arkansas Valley Water Conservancy District; and Ken Weber.

RECORD OF PROCEEDING

APPROVAL OF MINUTES:

President Long asked if the members of the Board had received their copy of the minutes of the July 17, 2008 Board meeting, and if there were any corrections or additions. Hearing none, Howard Miller moved, seconded by Mr. Johnson, to approve the minutes. Motion unanimously carried.

TREASURER REPORT:

Treasurer Ann Nichols noted, per Chief Financial Officer Kathie Fanning's District Financial Summary, due to the change of salary for our Directors based on a change in Colorado law, the annual budget of \$18,000 represents only half of the 2008 Director payroll of \$36,000. Other operating expenditures are within budget limits.

Treasurer Ann Nichols reported that the financial reports for the months of July and August for the District were mailed to the Board and moved for the acceptance of the financial reports for July and August and payment of the September bills for the District, seconded by Mr. Reed. Motion unanimously carried.

CONSENT ITEMS:

NONE

ACTION ITEMS:

2008 BUDGET REVISION

Treasurer Ann Nichols reported the Finance Committee recommends that the Board amend the 2008 Budget to increase the appropriation for expenditures. This change to the amount of the 2008 appropriation is necessary to allow for a larger than anticipated payment to the Bureau of Reclamation. Increasing the appropriation for this purpose does not directly impact the result of operations. The 2008 Budget for Project water was based on the historical average of 41,800 acre-feet. The actual Project water allocated and sold in 2008 was approximately double the historic average. A complete review of all revenues and expenditures has resulted in a restated budget that requires an appropriation increase of \$75,000.

Treasurer Nichols moved, seconded by Howard Miller, to approve the 2008 Budget appropriation to increase it by \$75,000, that would make the new 2008 Budget appropriation \$14,439,460 through the adoption of Resolution 2008-01DF. Motion unanimously carried.

2009 APPOINTMENT OF BUDGET OFFICER

Treasurer Nichols reported it was the recommendation of the Finance Committee that the Board appoint Kathie Fanning, Chief Financial Officer as the Budget Officer for the 2009 District Budget preparation. Treasurer Nichols moved, seconded by Mr. Johnson, to appoint Kathie Fanning as the Budget Officer for 2009. Motion unanimously carried.

RECORD OF PROCEEDING

ALLOCATION COMMITTEE-PROJECT WATER SHORTFALL

Mr. Hamilton reported in May of 2008, the Bureau of Reclamation (Reclamation) projected that there would be 100,600 acre-feet of water imported through Boustead Tunnel. The District allocated 83,038 acre-feet of Fry-Ark Project water based upon the 100,600 acre-feet projection. The actual imports are just below 90,000 acre-feet. Bob Hamilton met with Roy Vaughan and Linda Hopkins of the Pueblo Reclamation office, and together, they estimated that the net shortfall of Project water available for allocation was 6,100 acre-feet.

The District had 1,387 acre-feet in its Carryover Project water account. This left a net shortfall of 4,713 acre-feet. Staff contacted the Board of Water Works of Pueblo (BWWP) to discuss the possibility of the District "borrowing" 5,000 acre-feet of BWWP's Carryover Project water until the District could pay them back with the first Fry-Ark Project water available for allocation. The BWWP has over 17,000 acre-feet of water in their Carryover account. They did not request an allocation in 2008 and thus do not have any water in their 2008 Project water account.

The benefit to the District is that by borrowing this water and using an emergency allocation, no entity will be asked to return any of the water allocated and sold to them in 2008. The benefits of this arrangement to BWWP are: first, if their Carryover account was reduced by 5,000 acre-feet they would save over 300 acre-feet a year in evaporation losses because the Project water that would be paid back to them would be in their Project water account and it would not begin evaporating until May of 2010; second, they would also save \$11,250 in Water Activity Enterprise (WAE) and Safety of Dams (SOD) surcharges which are \$1.00 and \$1.25 per acre-feet respectively.

The Project water to pay back BWWP will be from reductions of 2009 allocations. Each entity that received an allocation of Project water in 2008 will have its 2009 allocation reduced pro-rata based on their 2008 allocation. The emergency reserves will be refilled per the District's Allocation Policy by reserving Project water from the 2009 allocation.

Mr. Hamilton recommended the following:

- That the Executive Director be authorized to execute a "Letter Agreement" with the Board of Water Works of Pueblo for the purpose of "borrowing" 5,000 acre-feet of the BWWP's Carryover Project water to help cover the 6,100 acre-feet shortfall in Fry-Ark Project yield; and
- That the District use 1,100 acre-feet of the 1,380± acre-feet in its reserve Carryover account to cover the remainder of the shortfall; and
- That the 5,000 acre-feet will be re-paid to BWWP from the next 5,000 acre-feet of Project water available for allocation. To repay the 5,000 acre-feet to BWWP, entities receiving an allocation of 2009 Project water would have their allocation reduced by their pro-rata share based upon their 2008 allocation percentage.

RECORD OF PROCEEDING

Mr. McClure moved, seconded by Mrs. Yoxey, to approve Mr. Hamilton's recommendations. Motion unanimously carried.

Mr. Broderick said that the Allocation Committee asked staff to develop criteria to follow so that such a shortfall does not happen again. Mr. Broderick also thanked Alan Hamel from the Board of Water Works of Pueblo for working with the District to remedy the situation.

CITY OF SALIDA

Mr. Leonhardt reported that Case No. 04CW125 is an application filed by the City of Salida, seeking to quantify consumptive use of the City's majority ownership in the Tenassee Ditch, and add the newly quantified water to the City's previously decreed augmentation and exchange plans, along with three new exchanges. The Tenassee Ditch diverts from the South Arkansas River just south of Salida. Salida provided a proposed decree about six months ago. In June of 2008 legal counsel sent a comment letter Jay Montgomery, counsel for the City of Salida. In that letter they addressed five issues that legal counsel and Bob Hamilton had identified as issues needing clarification or resolution in Salida's proposed decree in this case, or in a stipulation with the Southeastern District. Salida responded to each of the concerns in a letter dated September 2, 2008, offering to make certain revisions to the proposed decree in settlement with Southeastern.

Mr. Leonhardt said with the revisions Salida's counsel will make to the proposed decree, and Salida's assurance that it is prepared to stipulate upon the District Board's approval, he and Mr. Hamilton believe Salida has satisfactorily addressed Southeastern's concerns in this case. Mr. Leonhardt recommended the Board authorize legal counsel to execute a stipulation to a revised proposed decree, to resolve the District's participation in this case. Mr. Dils moved, seconded by Howard Miller, to authorize legal counsel to execute a stipulation to resolve the District's participation in Case No. 04CW125-Division 2. Motion unanimously carried.

MONTHLY REPORTS:

U.S. BUREAU OF RECLAMATION REPORT

Roy Vaughan reported as of September 16, there was 182,607 acre-feet of water stored in Pueblo Reservoir, 121,525 acre-feet of Project water, 40,622 acre-feet of water stored in If & When space, and 20,160 acre-feet of Winter water.

There is currently 135,424 acre-feet of Project space in Pueblo Reservoir, and 25,080 acre-feet of Project space available in the Turquoise and Twin Lakes Reservoirs.

Mr. Vaughan reported to date Reclamation has imported 86,960 acre-feet of Project water.

Mr. Vaughan also reviewed the Fry-Ark Work Plan Descriptions Accomplishments, Third Quarter-2008, which is part of the O, M, & R quarterly report. Mr. Vaughan reported that Mr. Hamilton has started to attend the facility meetings, so he will be in on the meetings discussing which projects Reclamation will put in the work plan for the upcoming years.

RECORD OF PROCEEDING

Mr. Vaughan said that teams are being put together regarding the Zebra Mussel issue, and that Pueblo Dam is the first on the list to get a team.

DIVISION ENGINEER'S REPORT

Mr. Witte reviewed the 9/17/08 Daily Report and the Reservoir Status Sheet. The river call was 2/21/1887-- Amity.

Mr. Witte reported on the John Martin Operations. He said beginning on August 15 the conservation storage in John Martin Reservoir was justified for a period of seven days resulting in the storage of 14,571 acre-feet which was distributed into Colorado and Kansas accounts pursuant to the 1980 Operating Plan. Additionally, the Amity Canal Company was able to store just under 3,000 acre-feet of water in John Martin under its transferred Great Plains Reservoir storage right.

Mr. Witte said an intense rainstorm centered east of Colorado Springs on September 11 and 12 produced point accumulations at the Colorado Springs airport of 4.97 inches and resulted in peak discharge of approximately 11,000 cfs in Fountain Creek measured at Security, however, the peak at Pueblo was only 4,000 cfs later on the September 12, and this event did not justify any storage in John Martin Reservoir (340 cfs at Las Animas on September 15).

Mr. Witte reported the first meeting of the Arkansas River Irrigation Consumption Rules Advisory Committee was held on July 9 and the second was held on July 30, 2008, at CSU-Pueblo. A third meeting is scheduled for September 19, 2008 and it will also be held at CSU-Pueblo. He said several revisions to the September 2007 version have been made and others are under consideration. An Engineering Subcommittee has been convened and are in the process of reviewing an Excel spreadsheet tool developed by Bill Tyner that incorporates many of the parameters included in the HI model and only information on the number of ditch shares that form the basis of a farm water supply and historical well pumping, if applicable, along with information on the acreage irrigated and the method of irrigation used before and after or proposed to be irrigated using an irrigation improvement to produce a comparison of return flow under the conditions that existed in ten recent years. This tool was developed in response to many criticisms received regarding the potential cost of analysis that might be associated with the proposed rules. Mr. Witte provided an agenda for the September 19 meeting.

U.S. GEOLOGICAL SURVEY REPORT

Mr. Edelman reviewed the following in a PowerPoint presentation:

- Map of seven-day average streamflow compared to historical streamflow for the day of the year September 16, 2008
- Fountain Creek hydrographs showing attenuation of peak, September 12, 2008
- Summary of flows, January 1-September 15, 2008
- Comparisons of current and historic streamflows in Colorado
- Estimated salinity concentrations in mg/L from real-time specific conductance monitors-September 16, 2008

RECORD OF PROCEEDING

COLORADO WATER CONSERVATION BOARD (CWCB)

Reed Dils, who serves as a representative on the CWCB, gave a report on the September CWCB meeting.

PRESENTATION:

INCLUSION TEAM-PUEBLO COUNTY UPDATE

Mr. Hamilton gave a PowerPoint presentation update on the Inclusion Team reviewing the following:

- Purpose of the Team
- Water Providers in Pueblo County and in Southeastern District
- Inclusion by Annexation
- The Team Meeting with Reclamation's Inclusion Representative
- GIS Shape Files
- Team Goals
- Future Goals

Mr. Leonhardt said that per the State law changed in 1999, the District's Board of Directors now has more of a role in the inclusion process for municipal annexations since that date.

INFORMATIONAL ITEMS:

Written material was provided to the Board on the following topics:

- 2009 Budget Calendar
- Quarterly OM&R
- Zebra Mussel Update
- Annexation & Inclusion Procedure Manual
- Water Court Résumés
- Legal Matters

OTHER BUSINESS MATTES:

President Long recognized Kathie Fanning for her completion of the Federal Financial Management Certificate Program. The completion of this program will be an asset to the District. Mrs. Fanning illustrated her dedication in becoming proficient in the field of Federal Financial Management through the many long hours it took to achieve the certification.

President Long then recognized James Broderick for receiving the first John W. Keys III award. Mr. Broderick was presented this award by Reclamation staff in July at the National Water Resources Association Annual Western Water Seminar. President Long said it was a well deserved award, because Mr. Broderick's innovative thinking has moved the District forward, and the partnership with Reclamation has been positive.

RECORD OF PROCEEDING

EXECUTIVE SESSION:

Mr. Leonhardt said a request has been made for the Board to enter Executive Session for the purpose of:

- **C.R.S. §24-6-402(4)(b):** (Conferences with an attorney for the local public body for the purposes of receiving legal advice on specific legal questions); and
- **C.R.S. §24-6-402(4)(e):** (Determining positions relative to matters that may be subject to negotiations; developing strategy for negotiations; and instructing negotiators)

To discuss the following matter:

To receive legal advice on issues related to the application of Tri-State Generation and Transmission Association, Inc. Case No. 07CW74, Water Division 2, and to guide negotiators in settlement discussions.

The presence of the following persons is requested at this Executive Session:

- Non-Excused Board Members
- Executive Director
- Director of Engineering and Resource Management
- Legal Counsel for the District

The minutes will be electronically recorded as required by the Colorado Open Meetings Act.

Howard Miller moved, seconded by Mr. Johnson, to enter into Executive Session. Motion unanimously carried.

President Long recessed the regular meeting at 11:25 a.m. to convene into Executive Session. The regular meeting was reconvened at 12:11 p.m.

Mr. Leonhardt reported that during Executive Session the Board received legal advice on issues relating to the application of Tri-State Generation and Transmission Association, Inc., Case No. 07CW74, and that as a result of Executive Session there was one recommendation for action. It was recommended the Board authorize a committee consisting of Mr. Long, Mr. Reed, and Mr. Broderick to act for the Board in considering and approving a proposal for settlement of this case that may be presented prior to the next Board meeting. Mr. McClure moved, seconded by Howard Miller, to approve the recommendation. Motion unanimously carried.

OTHER BUSINESS MATTERS:

President Long announced there would a Human Resources Committee meeting and District Arkansas Valley Conduit Committee meeting following the lunch break.

RECORD OF PROCEEDING

President Long brought the Board's attention to the printed copies of announcements of upcoming meetings for their review:

- Governor's Conference on Managing Drought & Climate Risk
- 2008 CRWUA Annual Conference

President Long asked if there were any other matters to come before the meeting, and hearing none, adjourned the meeting at 12:15 p.m.

Respectfully submitted,

Toni Gonzales
Administrative Manager

Secretary

