

September 20, 2017
Regular Board Meeting Minutes

The regular board meeting of the Lower Arkansas Valley Water Conservancy District Board of Directors was held on Wednesday, September 20, 2017 commencing at 10:30 A.M., at the Rocky Ford Office, 811 Swink Ave. Rocky Ford, Colorado 81067.

Directors Present

Lynden Gill – Chairman
Leroy Mauch – Vice Chairman
Jim Valliant – Treasurer
Willard Behm

Directors Absent

Melissa Esquibel- Secretary
Anthony Nunez

District Staff Present

Jay Winner – General Manager
Bill Hancock – Conservation Program Manager
Brenda Fillmore – Finance/Water
Mike Weber – Staff Engineer
Peter Nichols- Special Counsel

District Staff Absent

Jack Goble, P.E.- Engineer
Carla Aragon-Quezada- Office Manager
Bart Mendenhall, Legal Counsel

Guests Present

Bette McFarren, La Junta Tribune
Dave Donnell, concerned Larkspur Shareholder
Kimmi Lewis, House District 64
Rick Kenitz Aurora Water
Betsy Brown Beulah, Colorado
Todd Hughes, concerned citizen
Dwight Proctor, Rocky Ford, Colorado
Dwight Gardner, U.S Senator Michael Bennet's office
Jolly Rose, Rocky Ford
Alan Ward, Pueblo Water
Gilbert Groves, Rocky Ford
Larry Abert, Rocky ford

Chairman Gill announced a quorum is present with Directors Esquibel and Nunez absent.

10:31 A.M.- Recess Regular Board Meeting to Open the Water Enterprise Meeting

Director Mauch moved to recess the regular board meeting to open the Water Enterprise meeting and Director Brown seconded the motion and it carried unanimously. The Enterprise meeting was adjourned with a motion by Director Behm and seconded by Director Brown.

10:36 Reconvene Regular Board Meeting

Introduction of Guests: Chairman Gill welcomed the guests and asked them each to introduce themselves and whom they represent.

Approval of Minutes

Approval of August 2017 Minutes- Chairman Gill provided a welcome to the audience and presented the first item of business, approval of the August 16, 2017 minutes. Said minutes were approved by a motion by Director Brown and seconded by Director Valliant and passed without discussion. Executive Meeting minutes from August 16th were approved with a motion from Director Brown and a second by Director Valliant.

Treasurer's Report

August 2017 Financial Report- The General Treasurer's report, given by Director Valliant states that the General fund has \$1,515; expense report totals \$39,366.40; and net income comes in at -\$37,851.40. These financials were approved by a motion by Director Valliant and a second by Director Behm.

Budget Presentation

General Manager Winner presented Brenda Fillmore to offer a draft budget in September to meet the necessary deadlines with Finance Committee meetings over the next few months to finetune the details of the budget. Brenda gave an overview of the budget with an explanation of the summaries, which is most of the presented information to the Board, as being a narrative of how they receive/use mill levies.

Brenda Fillmore Budget Presentation

The projected end-of-year numbers come from August through December. An expected revenue of \$2.1 million is projected with expenses totaling \$2.8 million, based on historical expenditures, leaving the District with approximately \$700,000 as an overall balance. 2018 Revenues were sent in August by the county, and those totals are used to estimate the 2.1 million projected number. Our fund balance is 2.8 million by the end of 2017. For 2018, the expenditures, based on the historical values, comes to be \$2.6 million and a fund balance of \$230,000. General Manager Winner asked about Tabor, which Brenda confirmed is carried over. Brenda explains her calculations and her efforts in keeping in compliance which is included in a spreadsheet. Taxes are outlined in more detail next, by county. There is a comparative statement included in the budget which contains the auditors' numbers, the actual numbers for 2016 and projected numbers for both 2017 and 2018. In 2018, the fund balance will be \$2.2 million, expenses \$1.98 million, and a revenue of \$230,000. Once all of this is carried over, the total revenue is \$1.6 million. The Enterprise fund consists of grant money. In 2018, the expenses total 1.5 million with a net income \$81,000. Engineering Enterprise predictions are \$400,000, a \$238,000 for expenses, and leaving the District with a net income of \$162,000. When taking these numbers and adding it to the 2018 balance, \$653,000 which is from engineering funds. The expenses total up to be \$464,000 and a net income of \$190,000.

After asking for Questions, there was a comment about whether the water quality effort will cost anything. Jay responds that he will talk about it later in his report, but he believes it will pay for itself.

General Manager Winner thanked Brenda for the budget and asked Brenda to cover the fee structure through TBK Bank. TBK Bank sent a letter saying that because the District is a public entity, they keep the funds in bonds and loan it out. Anything over the FDIC limits will be charged with a 1% cost. They will charge the District over \$1,000 per month. It is Brenda's recommendation that the money is moved

from that account to a bank of a company that can handle the funds. Chairman Gill asked about whether other banks require anything like that, and Brenda responds with none to her knowledge. Winner suggests to “shop around” for banks.

General Manger Winner thanks Brenda and Chairman Gill asks for comments.

General Manager’s Report

Water Quality Projects

General Manager Winner speaks on water quality and describes the process the staff is going through with some grants for Deficit Irrigation and Split-Season Irrigation which are both ATM’s giving farmers more tools to lease water rather than sell. Manager Winner’s concern is “condemnation” and giving farmers options for water so that doesn’t happen here, as it did in Aurora. These two projects are going to be about \$950,000 over the next two years. The letter of commitment will be in by October 1st, and he is confident that the District will receive these grants for the projects that the state really wants someone to consider. Director Winner recommends another part-time employee to help with the load. Lake Isabel is a perfect example of where this will work, if all parties can agree. Directors Valliant and Mauch give their go ahead to work on the letter of commitment and that the “inevitable is coming”. Legal Counsel Nichols explains that the idea has been bounced around a bit and that this is a great opportunity. Chairman Gill comments about a pilot project. Manger Winner thinks there are people who will be interested in these things. Alfalfa can get into these projects now so that you can keep your crop in your field. Chairman Brown responds that we are the innovators and the people expect us to look into these things and get the money for it. It helps the valley and landowners to have the tools. With consensus from the board General Manager Winner will go forward with these projects.

There is a Watershed Conference in Avon, Colorado on October 10-12, which is a conference on water quality or water health, and the District is getting an award for the water quality projects that have going in McClave. General Manager Winner, Phillip Chavez, and Ryan Hemphill, Mike Weber and Nick Rusler will be presenting.

Jack Goble is at CWCB, Colorado Water Conservancy Board, today and he will be voting on the grants for Blue Lake/Adobe Reservoir for \$1.2 million for the rehab of the reservoir and for Pueblo Conservancy District for \$12 million which goes through the Colorado Conservation Board that will become a part of the Projects Bill.

Larkspur Ditch

Director Behm would like to sell his shares of Larkspur to the District. Special Counsel Nichols explains that while normally selling of shares is routine, Director Behm is a member of the Board, and therefore we have a conflict of interest policy that restricts a board member from gaining financially from transactions, such as this. Special Counsel Nichols explains that in light of transparency, formal board action needs to be taken and Director Behm should recuse himself. Director Behm states, “I do recuse myself.” Director Behm wants to make sure all shares are handled correctly and that he wants to, “disclaim any interest in the water leasing contract between the Larkspur and the Lower District. I want completely out of all that stuff, so I recuse myself.” General Manger Winner states the importance of making sure the Board is aware of the situation because when Directors get a check of this size, it is a

red flag. Chairman Gill asks for additional questions and Director Behm states that he is happy with it, but is curious about the other three shares. General Manager Winner explains that all parties involved can do everything at once. Director Mauch makes a motion to sell Director Behm's shares and Director Valliant seconds the motion. The vote passes unanimously.

Zinno Update

The Zinno Subdivision, which holds about 96 homes, and is a project where "we have been trying to get them fresh, clean drinking water for the past two years", did end up in court. October 1st, Zinno Subdivision will be hooking up to St. Charles Mesa and "for the first time since the 70's will have fresh, clean drinking water at a reasonable price." This sets up a framework for us to follow in regards to the Arkansas Valley Conduit. The project has about \$35,000-\$40,000 invested with legal and engineering, etc.

Arkansas River Basin Water Forum

The Arkansas River Basin Water Forum would like the District to nominate someone for a director on the Arkansas River Basin Water Forum. General Manager Winner suggested Director Jim Valliant, who helped start the forum and has been involved in it since the inception for the position. Director Valliant comments that he would be willing to accept the nomination and continue his work. Director Brown moved to appoint Director Valliant as the Arkansas River Basin Water Forum Director and it is seconded by Director Mauch. The motion passes without opposition.

Committee Reports

Executive: There was a meeting on August 30, 2017 and the meeting was to review workplace investigator applications. The meeting was held and the committee approved, unanimously, the Employer's Counsel to do the investigation.

Personnel: None

Acquisition: None

Ethics: None

Finance/Budget: None

Legal: None

Board Action

None

Legal Report

Director Behm asks that Special Counsel Peter Nichols to look into his transparency proposals. Because there wasn't a work session, Special Counsel Nichols will address this at the October meeting.

Special Counsel Nichols states that they have his legal report, but he requests an executive session to discuss the contents.

Directors' Discussion

Director Valliant comments about putting out a newsletter to aide in transparency. A member from the audience agrees that they do want transparency.

Public Comment

Alan Ward with Pueblo Water offers a progress report of the change case of the Bessemer Ditch which will come at the October meeting, when all board members can be present. He did give some statistics that they: are 28% owned, have 25 opposes, and has 1.54 CU (Consumptive Use) credit for Agriculture and Municipal uses.

Dave Donnell spoke from the audience regarding the Sunshine Law. Larkspur seems to have been swept under the table and there are some questions regarding Legal Counsel Mendenhall's proposal about the minority shareholders. Donnell questions the agreement signed by Chairman Gill as he is Larkspur shareholder. He would like to be more informed about the matters and get to total transparency. He shares that the agreement puts an "undue hardship" on the minority shareholders that was caused by the District. Direct Brown asked Dave Donnell what he liked and didn't like about Legal Counsel Mendenhall's letter, with Dave Donnell replying, "I am looking at total transparency."

Kimmi Lewis addressed the board to invite the Board to a meeting at the Cow Palace in Lamar, CO for registering dams and/or ponds led by Bill Tyner on Wednesday, September 27, at 2 pm. LAWMA will also be there to present on their organization. She also mentions that the Carlson family has a conservation easement through the District. There are more conservation easements going into default. Kimmi is concerned that Lower Ark is handling these poorly, or not handling the farmers well enough.

Rick Kinetz wanted to thank the board for getting Jim to the forum board because his experience will be much appreciated.

10:56 am- Recess Regular Meeting and Enter into Executive Session

Director Mauch made a motion to enter into executive session, with a second from Director Brown, "for the purposes of conversation with the attorney to receive legal advice on a specific legal question regarding Colorado Revised Statue 24-6-402(4)(b), as well as determining positions relative to matters which might be subject to negotiations, developing strategy for negotiations, and directing negotiators pursuant to Colorado Revised Statue 24-6-402(4)(e)(I)".

Reconvene of the Regular Board Meeting

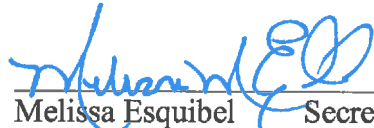
At 12:02, Chairman Gill announced that the last item of business was to adjourn the meeting following the executive session.

Adjourn

At 12:04 A.M., Chairman Gill asked for any other business which should come before the board at the time. Hearing none, Director Mauch moved to adjourn, seconded by Director Valliant and carried unanimously.



Lynden Gill Chairman



Melissa Esquibel Secretary