

**UPPER ARKANSAS WATER
CONSERVANCY DISTRICT**

Water Activity Enterprise Committee

**October 11, 2018
1:00 P.M.**

The Upper Arkansas Water Conservancy District Water Activity Enterprise committee held its regular meeting Thursday, October 11, 2018, at the District offices, 339 East Hwy 50, Salida, Colorado, commencing at 1:00 P.M., notice having been given by posting of Notice and Agenda on October 10, 2018, at the offices of the Upper Arkansas Water Conservancy District, 339 East Hwy 50, Salida, Colorado.

COMMITTEE MEMBERS PRESENT

Ralph L. (Terry) Scanga	Ken Baker	Robert M. Senderhauf
Franklin J. (Jay) Moore	Timothy C. Canterbury	Tim Payne
Gregory W. Felt	Brett A. McMurry	Thomas Goodwin
Tom E. French	Richard Hilderbrand	Mannie Colon
John H. Sandefur	Jeff Ollinger	

COMMITTEE MEMBERS ABSENT

Robert B. (Bill) Donley

DISTRICT OFFICIALS/STAFF MEMBERS PRESENT

Chelsey Nutter, Projects Manager	Kendall K. Burgemeister, Attorney
Jord Gertson, Hydrologist	Kimberly Kerschke, Secretary
Chris Manera, Engineer	

DISTRICT OFFICIALS/STAFF MEMBERS ABSENT

None

STATE OFFICIALS PRESENT

Brian Sutton, Water Commissioner

GUESTS PRESENT

Joe Stone, Ark Valley Voice
Kristie Nackord, Fremont County
Leila Behnampour, Law of the Rockies
Brian McCabe, The Mountain Mail
Harald Kasper, City of Salida
Bill Banks, USGS
Hank Held, SALA Mt. Princeton Geothermal

CHAIRMAN'S INTRODUCTION

Introduction of guests will be held over to the Board meeting.

MINUTES OF THE MEETING OF September 13, 2018

The minutes of the meeting of September 13, 2018, were unanimously approved upon motion by committee member French with second by committee member Payne.

Committee member Felt expressed his appreciation regarding the thorough nature of the minutes. He said that, upon review, they have helped with providing understanding and drawing connections.

TREASURER'S REPORT

Upon motion by committee member Goodwin with second by committee member Sandefur, the committee unanimously approved the financial report dated September 30, 2018.

MANAGER'S REPORT – Terry Scanga

RECORD OF PROCEEDING

Manager Scanga reviewed the quarterly balance sheet for the Water Activity Enterprise and noted that we are at 28.7% of budget for expenditures. Manager Scanga pointed out that cash reserves are budgeted into water rights acquisitions and are carried forward in the fund balance. Committee member Moore remarked that budgeted cash reserves allow for flexibility and safety within the budget. In summary, Manager Scanga said that everything is on target for this year.

Committee member Ollinger brought up the issue of rental income and expressed curiosity regarding the number of units rented and the cost associated with each unit as related to square footage. Manager Scanga reported that most of the office space upstairs is rented. One office space is set aside for storage and one smaller office is unrented. The Chaffee County Economic Development Corporation rents an office downstairs. Committee member Ollinger said that he has done some market research and asked if the Board has provided direction on where we should be with rental rates as compared to the market for commercial space. Committee member Ollinger said he believes the Board should provide a definitive level of performance guidance as part of their fiduciary responsibility and he does not think the Board has had the opportunity to evaluate what the performance of this particular asset should be.

Committee member Moore said that the building asset is trivial when compared with other long-term assets, as it makes up only 20% of the total assets of the Enterprise. In response, committee member Ollinger noted that the building is among the top 2-3 assets shown on the balance sheet and he believes it is the responsibility of the Board to provide guidance on this asset.

Chairman Senderhauf interjected that the balance sheet is evaluated every year and discussion follows on the management of our assets. He said that there is value in retained rental income without significant turnover. Committee member Goodwin added that this subject has been evaluated and discussed and the Manager has been given the support to manage the operations of the District.

Chairman Senderhauf asked Committee member Ollinger for specific suggestions on what else he believes the Board should do or what he believes should be done differently. Committee member Ollinger said he would like information on the number of units in the building and their square footages. He would also like to know the market value on commercial space to see how it compares with what we are charging per square foot. Committee member Ollinger said he needs these details to feel knowledgeable and responsible.

Committee member Colon brought up the annual audit in which figures are examined and the result has always been a clean audit. He was curious whether or not we could ask the auditors to provide an evaluation on our capital to debt ratio to see if we are in compliance.

Committee member Goodwin remarked that we own the building and we get rental income in return. Rental income is used over time to pay for the building, but the value of the building itself is the notable benefit to the District. Manager Scanga said that what Committee member Goodwin was referring to is an alternative cost analysis.

Committee member Ollinger, in response to Committee member Colon's suggestion regarding the audit, noted that the audit does not get into internal operations. He asked Committee members serving as Commissioners how they handle internal operations such as rental rates. Committee member Payne said that they ask the County Manager to get what they can using a commercial rate, but he doesn't need to know the details and expects the County Manager to make the decisions.

Committee member Ollinger brought up the issue of approximately \$12,000 in annual taxes which would be owed if this building was not a tax exempt asset, further highlighting the fiduciary responsibility of the Board.

Committee member French made a motion that this discussion be tabled to give the Manager the opportunity to provide specific answers to the questions that have been posed. The motion was seconded by Committee member Ollinger. Committee member Goodwin asked for clarification regarding what specifically was being asked of the Manager so that he was not forced to do more than needed. Manager Scanga said that average price for commercial space is \$8-\$18 per square foot per year and

RECORD OF PROCEEDING

approximately 1000 square feet are currently being rented in the building. Committee member Goodwin asked if this was enough detail and Committee member Ollinger said he would like more detail, specifically related to the available square feet of office space in this building and the cost per square foot that is being charged for rent. Following this discussion, a motion was carried to table the discussion to allow the Manager to provide the requested information. Committee member Canterbury abstained from the vote due to his late arrival at the meeting.

Chairman Senderhauf concluded the discussion with a reminder that we may need every inch of this building for our own operations as those operations expand in the future.

Augmentation Report

Manager Scanga displayed the augmentation reports for August and September. As of the end of September total State approvals for augmentation were 607.38 acre-feet. Replacements for the month were 65.98 acre-feet including transit loss.

Manager Scanga reported that he met with the city of Salida this past month regarding their lease with us for storage in North Fork Reservoir. The lease extends through 2033 and the city would like to negotiate an extension of that lease and possibly make it perpetual. Manager Scanga reported that the city currently has 295 acre-feet of water stored in North Fork Reservoir. He would like to start negotiations on some sort of term regarding this lease and will bring this back to the Board before moving forward.

Manager Scanga also highlighted options on a potential new South Arkansas Integrated Water Management plan with the city of Salida through the utilization of Tennesee water rights. The city would like to better utilize their Tennesee water to avoid transit loss. We have a stipulation with the city that allows us to negotiate with them, enter an agreement, and utilize their water in our augmentation plan. There is the possibility of managing the water through contractual trade between Pueblo and the South Arkansas, which could save the city of Salida transit loss to Pueblo Reservoir.

Additionally, the City of Salida would like assistance in perfecting exchanges to North Fork Reservoir and would like to discuss the advantages and disadvantages of reservoir enlargement.

Manager Scanga said he was looking for approval to continue negotiations with the City and to eventually file for a change of the Tennesee water right.

Committee member Canterbury inquired about the storage agreement with Salida in North Fork Reservoir. Manager Scanga said that the City pays us a nominal fee per year in exchange for storage and we get 25% of the water they put into the reservoir.

Committee member Felt applauded the special relationships that have been and are being formed. He mentioned the accounting being done with Poncha Springs and the work with Buena Vista on Cottonwood. He encouraged these special partnerships with Salida and other downstream communities, such as Canon City and Westcliffe.

Committee member Goodwin remarked that integrated water management makes so much sense and he encourages it to continue.

There being no objections to the steps being taken by the Manager, Chairman Senderhauf granted approval to continue in this direction.

Manager Scanga also reported that he had a meeting with Colorado Parks and Wildlife and they would like to have all of the water rights in their portfolio evaluated. There is discussion about changing those water rights to take credit for historic consumptive use. Once changed, that water could be added to our water portfolio for our augmentation plan and to augment their structures. We already augment the Ouray and Shavano fish hatcheries, along with one of their wells, through a trade of Twin Lakes water. Manager Scanga requested support on moving forward with an agreement for the analysis and integration of CPW water rights. Chairman Senderhauf said that the Manager had the full support of the Board.

RECORD OF PROCEEDING

HYDROLOGIST REPORT

Reservoir Storage

Hydrologist Gertson reported that in our Twin Lakes account, we have 0.0 acre-feet of native water, 23.2 acre-feet of Twin Lakes, Transmountain water, and 65.3 acre-feet of project carryover. Pueblo reservoir has 909.8 acre-feet of project carryover and 1,000 acre-feet of project water. Total storage is at 3847.5 acre-feet.

Hydrologist Gertson pointed out that DeWeese Reservoir is at 24% of capacity and he is crossing his fingers that they will be able to fill this year.

Manager Scanga inquired about the reading at the Portland gage that prompted a release from Twin Lakes to cover evaporation for O'Haver, Boss, and Friend Ranch. Hydrologist Gertson said he believed the gage was about 120-130 and we have a limit of 190 for exchanges. This is why releases had to be made from Twin Lakes to cover evaporation for those exchanges.

Committee member Goodwin inquired as to why the Parkdale gage has been listed as provisional with no available data. Mr. Banks with the USGS and Committee member Felt said that some gages are paid for by outfitters and are only in operation seasonally, which may be the reason that no data is available at this time.

ENGINEER'S REPORT – Chris Manera, Colorado River Engineering

Deferred to next meeting

LEGAL REPORT - Kendall Burgemeister, Law of the Rockies

Deferred to District Board meeting

OTHER BUSINESS

None

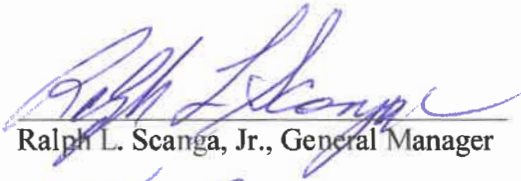
ADJOURN

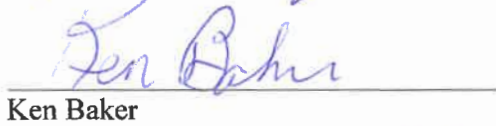
Adjournment of the Enterprise meeting was postponed until the conclusion of the District Board meeting so that legal matters pertaining to the Enterprise could be discussed during Attorney Burgemeister's legal report.

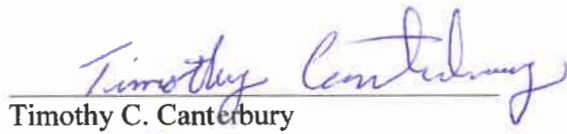
[The remainder of this page is intentionally left blank.]

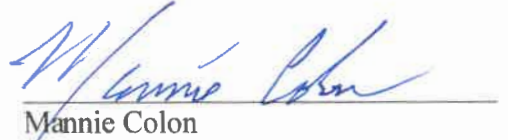
RECORD OF PROCEEDING

Respectfully submitted,


Ralph L. Scanga, Jr., General Manager

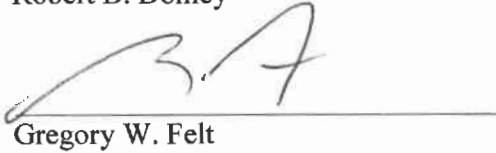

Ken Baker


Timothy C. Canterbury


Mannie Colon

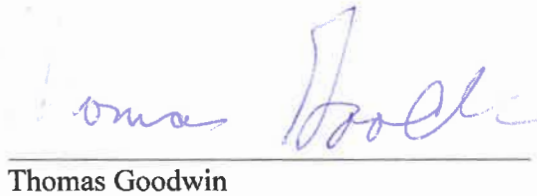
Absent from Meeting- No Signature

Robert B. Donley

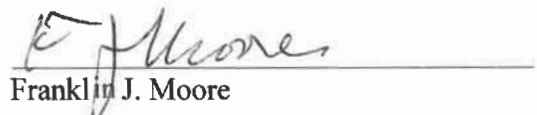

Gregory W. Felt


Tom E. French



Brett A. McMurry


Thomas Goodwin


Richard Hilderbrand


Franklin J. Moore


Jeff Ollinger


Tim Payne


John H. Sandefur


Robert M. Senderhauf