

**UPPER ARKANSAS WATER
CONSERVANCY DISTRICT**

Water Activity Enterprise Committee

**September 9, 2021
1:00 P.M.**

The Upper Arkansas Water Conservancy District Water Activity Enterprise committee held its regular meeting Thursday, September 9, 2021, at the District offices, 339 East Hwy 50, Salida, Colorado, commencing at 1:00pm, notice having been given by posting of Notice and Agenda on September 8, 2021, at the offices of the Upper Arkansas Water Conservancy District, 339 East Hwy 50, Salida, Colorado.

COMMITTEE MEMBERS PRESENT (IN PERSON)

Ralph L. (Terry) Scanga	Timothy C. Canterbury	Thomas Goodwin
Ken Baker	Tom French	Brett Mc Murry
Tony Telck	Richard Hilderbrand	Warren Diesslin
Gregory W. Felt	Tim Payne	

COMMITTEE MEMBERS PRESENT (BY REMOTE VIDEO AND AUDIO CONFERENCING)

Mike Shields
Robert B. (Bill) Donley
Mannie Colon

COMMITTEE MEMBERS ABSENT

None

DISTRICT OFFICIALS/STAFF MEMBERS PRESENT (IN PERSON)

Jord Gertson, Hydrologist
Jennifer A. Scanga, Secretary
Gracy Goodwin, Projects Manager

DISTRICT OFFICIALS/STAFF MEMBERS PRESENT (BY REMOTE VIDEO AND AUDIO CONFERENCING)

Richard Brown, Legislative Consultant	Wendy Ryan, Engineer
Denise Sanchez, Office Manager	
Kendall Burgemeister, Attorney	

DISTRICT OFFICIALS/STAFF MEMBERS ABSENT

Chris Manera, Engineer

STATE OFFICIALS PRESENT

None

STATE OFFICIALS PRESENT (BY REMOTE VIDEO AND AUDIO CONFERENCING)

Will Scott, Water Commissioner, District 12

STATE OFFICIALS ABSENT

Brian Sutton, Augmentation Coordinator
Bill Tyner, Division Engineer
Dan Henrichs, Water Commissioner, District 11

GUESTS PRESENT

Dwayne McFall, Fremont County Commissioner

GUESTS PRESENT (BY REMOTE VIDEO AND AUDIO CONFERENCING)

Tom Flower, Custer County Commissioner

RECORD OF PROCEEDING

CHAIRMAN'S INTRODUCTION

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

MINUTES OF THE MEETING OF August 12, 2021

The minutes of the meeting of August 12, 2021, were approved upon motion by committee member French with second by committee member Hilderbrand.

TREASURER'S REPORT

Upon motion by committee member Goodwin with second by committee member Payne, the committee approved the financial reports dated August 31, 2021.

MANAGER'S REPORT – Terry Scanga

Lake Ranch Richardson Renewal Lease

Manager Scanga presented the proposed Lake Ranch Richardson Renewal Lease to the Board. He displayed a map of the property covered in the lease. The term of the lease is 5 years commencing on January 1, 2022- December 26, 2026. Total amount of lease is \$50,000 broken into yearly installments of \$10,000 due on February 1st. The lease stipulates that the leased land, together with other easements, water rights, and a center-pivot sprinkler, and an non-exclusive right to UAWAE's rights of ingress and egress and use of the Cameron Ditch, all for the purpose of agricultural use of the property, including irrigating, maintaining, farming, grazing, and harvesting.

Director Donley asked about the amount of the previous lease. Manager Scanga answered that users paid annual installments of \$8,000.

Manager Scanga stated that costs for weed control spray, bait (rodenticides) for rodent control, fertilizer, and seed shall be shared equally between the parties. Director French asked the cost to the District. Manager Scanga said it is between \$4000-\$5,000 per year.

Manager Scanga explained that the lease specifies that the Lessee is responsible for maintenance and repair of the center pivot sprinkler and that the District is fortunate to have an agreement with good farmers and ranchers. He added that one of the requirements is to keep the water right in irrigation and continue to maintain the consumptive use value of the water right. Manager Scanga stated that Cameron is a long ditch and part of the agreement is maintenance of the ditch for good water delivery and there are many attributes not indicated in the lease, which is maintaining historic use of the water right, maximizing consumptive use, and keeping the ditch delivery system working well.

Upon motion by Director French, seconded by Director Felt, the Board approved the renewal of the lease.

Rule 14 Plan

Manager Scanga discussed the new Rule 14 plan and submitted copies of the updated application and fee schedule. He said the District has been accommodating Rule 14 users for as long as the general augmentation plan has been in place. Manager Scanga stated that Rule 14 is a rule within the amended rules and regulations promulgated by the Division Engineer and the State of Colorado for ground water pumping in the Arkansas River Basin. The promulgation followed the Colorado v. Kansas lawsuit where wells were pumping out of priority. He explained that Rule 14 applies to pre-1986 decreed wells which do not need an augmentation decree but well owners must apply annually to the Division Engineer's office and show how replacements will be made when out of priority to obtain administrative approval. Manager Scanga added that they also must obligate water as a guarantee that the provider has water available to make replacements and have water in reserve in case a water right diverts more than anticipated. Manager Scanga said that the District uses Twin Lakes water as a backup but in most cases, water comes from the Frying Pan Arkansas project water. Manager Scanga stated that Rule 14 users can enroll in the District's Rule 14 plan which includes many participants in the Upper Basin who have wells that fall into the category of Rule 14. He added that they get a decent rate and is significantly lower than a standard augmentation plan. He stated that the downside is the requirement of an annual engineering report and application supplied to the state, which makes it an ongoing expense.

RECORD OF PROCEEDING

Hydrologist Gertson summarized Rule 14 and reiterated that Rule 14 applies to pre-1986 wells and post Arkansas River Compact wells deemed by the state to cause injury to Kansas. He explained that in order to make replacements without injury, there is an annual plan for each well monitored by a predicted monthly amount based on usage of water for various reasons such as irrigation, swimming pools, etc. The different uses are then transferred to a model based off the Glover analysis where the wells have a certain distance from the stream. He stated that the timing of the stream depletions is relative to what is pumped. The calculation is based off well head depletions in relation to stream depletions. Hydrologist Gertson added that most of the wells are within the Southeastern Colorado Water Conservancy District with only a few outside the Southeast District. He said that the volume is increased as demand is increased and there is opportunity to use more water from those wells if a certain replacement is maintained.

Mr. Gertson further explained that Rule 14 users are required to report monthly meter readings to the state and the state gives the District that data to reconcile what is released. He stated that trouble can happen when users sell their property, and a new owner decides to use the well in a different way and then the meter readings don't line up or the state does not receive a meter reading from the users. He expressed how critical it is to monitor Rule 14 wells monthly to eliminate those issues and be wise with water replacements to keep the check book straight and not injure water rights. Hydrologist Gertson said he feels the proposed new policy will help the user understand what the District goes through to make sure these wells are not injuring water rights, while maintaining state requirements and making releases.

Hydrologist Gertson explained another obligation with the state is to replace all post plan depletions until they are zeroed out. He said that when a Rule 14 well stops being used there are still depletions beyond that usage that the District must account for.

Manager Scanga proposed to the Board the new application and fee schedule and the letter to Rule 14 users explaining deadlines for any changes in use and over pumping policy. He asked the Board for approval of the updated application and fee schedule. He explained that the letter is a notice to users of an increase in fees and deadline for requests.

Manager Scanga presented the new fee schedule and application form. The agreement reiterates compliance of rules already passed specifically for Rule 14. He said that the new fee schedule states an initial application fee of \$200, plus engineering analysis fees, an annual renewal fee of \$800 per structure, and the annual cost of water. He said there are two different water costs: \$75 per acre-foot for structures within the Southeast District since they use Fry Ark water which is less expensive. The structures not in the Southeast District require Twin Lakes water or another source, which is \$200 an acre-foot.

Committee member Canterbury asked what the fees were prior to the increase? Manager Scanga clarified that it was \$35 per acre-foot within the Southeast District and \$45 per acre-foot outside of the Southeast District. He stated that it is a substantial increase but still less expensive than a standard augmentation plan.

Manager Scanga clarified for committee member Felt that Rule 14 is an annual contract not a permanent contract. He said that the bigger the plan and the more participants, the better the cost structure because of the economy of scale. Manager Scanga explained that the plan put in place by Hydrologist Gertson is for a fixed time whether there are 2 or 10 users. He added that the application fee of \$800 covers the annual plan development engineering cost.

Committee member Canterbury asked who the biggest user of the plan is? Hydrologist Gertson stated the big irrigators/producers are the biggest users which are Deer Valley Ranch and Mt. Princeton Hot Springs and Greenhouses. He added that there are approximately 22 users.

Manager Scanga clarified for Board members that the initial application fee has not increased, but due to the increase in engineering costs, the annual renewal fee has increased to \$800. He explained that without an engineering analysis there is no way to determine anything about a well. He added that after the initial engineering analysis, the annual engineering is standard. Manager Scanga said the cost to start the plan if there is a depletion of 10 acre-feet your first year in, the cost would be \$1000 plus (10 x \$75)

RECORD OF PROCEEDING

equaling \$1750 for the initial cost. He added that it is substantially less than the District's general augmentation plan which would cost a total of \$38,500 for 1 acre-foot and \$1650 per year for maintenance and storage.

Committee member Hilderbrand asked how the District plan compares to other Rule 14 providers? Manager Scanga said the new rate schedule is comparable.

Committee member Felt asked if users are paying on pumping? Manager Scanga explained that they pay on well-head depletions which is not typical of other agencies. He added that the District uses well-head depletions since it matches up with the general augmentation plan, which is the actual amount of water released.

Upon motion by committee member Donley, seconded by committee member Hilderbrand, the Board approved the new application and fee schedule.

Budget Report

Manager Scanga presented the 2022 Preliminary Budget. He stated that the Enterprise completed the environmental evaluation of the operations of its reservoirs on the South Arkansas River, O'Haver and North Fork in 2018 and in 2020, the United States Forest Service, "USFS" re-permitted these reservoirs for a period of 20 years.. He explained that staff will continue to work on re-permitting and obtaining a special use permit for Cottonwood Lake and Boss Lake from the USFS. He further explained that much of the early environmental work on the environmental impacts from these South Arkansas Reservoirs was funded by a Colorado Water Conservation Board, "CWCB" loan and the loan was closed in 2018. He added that the Enterprise has a 30-year loan repayment plan of principal and 3% interest at \$46,052 per year payments. Final payoff is scheduled for the Fall of 2047 and it is reflected in the current budget.

Manager Scanga explained that revenues have increased due to increases in property valuations. He said that although In-kind Revenues are no longer being budgeted the district continues to provide in-kind services valued annually at approximately \$36,000.

Manager Scanga stated that expenditures for the maintenance of reservoir and stream monitoring devices with remote sensing data collection platforms is a primary part of the Enterprise budget and the District staff hydrologist maintains the operational activities for the reservoirs and those staff expenditures are absorbed in the General Fund Budget.

Manager Scanga concluded that expenditure revenues are a function of the number of water augmentation applications, leases, large Recurring augmentation plans and total maintenance and storage fees collected during the year. He stated that general revenues from augmentation sales and annual maintenance and storage are estimated based on the issuance of 100 new standard augmentation units and 100 new annual units by the end of 2022. Manager Scanga added that in 2021 the District and Enterprise investment of reserves in the Colorado Trust Fund earned a significant reduction in interest due to rate declines. During 2022, this trend in interest rates is expected to continue.

Manager Scanga further concluded that the Enterprise Fund expenditure budget accounts for all available annual revenues. Budgeted expenditures for water right acquisitions, and projects make up the bulk of the increase in expenditures for 2022 and represent nearly 90 percent of the total increase in all budgeted expenditures. Water right acquisitions and project expenditures are vital investments in water resources. He added that for salaries, the budget includes an annual cost of living increase of 10 percent due to extremely high inflation pressures experienced in the first half of 2021 and is expected to continue for the next year. Manager Scanga said that due to the reduced operational expenditures and increased water augmentation more funds are made available for water right acquisitions. Water right acquisitions have an increase of nearly \$1,000,000 compared to the 2021 budget. He added that there is projected amount for 2021 since the actual number is unknown until the end of the year.

Manager Scanga explained to Board members the difference between a balance sheet and the budget statement since there seemed to be some confusion. He stated that a budget is an estimate of revenues and expenditures that will take place in a given period. He further explained that the starting point is

RECORD OF PROCEEDING

taken from the 2020 audit and the 2021 is assumed from the excess revenue over estimated expenditures and principal payments that begins the 2022 beginning fund balance. Manager Scanga said that there is projected amount for 2021 since the actual number is unknown until the end of the year. He added that everything is budgeted so there are funds available for a water right acquisition if needed.

PM Goodwin and Manager Scanga gave an update on grants for projects in 2022.

Manager Scanga stated that the Regional Resource Planning Group was created by the agreement with the City of Aurora in the South East District, He said the District has a joint funding agreement with the sponsors and the District's cost is \$10,000 annually and it is an external expense.

PM Goodwin explained that the grant for Ice Lakes will be closed out by the end of the year. She stated that the cost is split between the District and the HOA for the outlet structure and spillway. She added that it is an internal and external expense is and \$15,000 is a cost share that will be reimbursed by the HOA.

Manager Scanga explained that we have an ongoing USGS Ground Water Network where water levels are measured throughout the Upper Basin. He said the District has been doing that since the mid 1980's and is an ongoing cost. The cost has increased and there is a cost share with the Town of Poncha Springs.

The data is used in all water balance studies as background information. Manager Scanga expressed that it is extremely valuable to the District. He added that the internal expense is federal grand money. The external cost is \$11,906.

Manager Scanga stated the COAGMET Stations cost \$10,000 to maintain the stations and there is also a cost share with other entities.

PM Goodwin stated the Trout Creek Multi Use Project (Recharge, Development, Appraisals) total expense is \$150,000 with \$20,000 of in-kind contribution, \$100,000 of grant money and \$50,000 of cost share from the Southeast District.

The Water Balance Study, Phase 2 total expense is \$50,000, \$24,000 of grant money and a contribution of \$43639 in-kind expenditures for the complete project. PM Goodwin added that the USGS added \$48,720 of in-kind for additional tracing.

PM Goodwin said that the DeWeese Feasibility total project cost is \$130,000 with \$22,000 of matched contributions, \$95,000 in grant money and a UAWCD contribution of \$10,000 in-kind expenditure.

St. Charles Mesa Head gate has a total project cost of \$3,000. PM Goodwin stated that by the end of the year the grant funding will be exhausted.

The Round Mountain Reservoir Feasibility Study has a total project cost of \$202,500 with an external expense of \$157,340 and internal expense of \$45,160 and a total cost share amount of \$191,830. PM Goodwin stated that grant is not held in the District's name but goes directly to Round Mountain and then we bill them for expenses.

The Conservation Garden Project has a total project cost of \$100,000 in external expenses. The DeWeese Gaging Station total cost is \$300,000 with an external expense of \$270,000 and an internal expense of \$30,000. PM Goodwin explained that the cost share and grant contributions are unknown at this time. The South Ark Tennessee Gage Maintenance and the total cost is \$1,200 with \$900 of total cost share.

Manager Scanga recommended a 10% increase for all salaried employees. He stated that at the end of July, the consumer price index was 5.4 % year to year. He said he projected a 0.6% to 0.9% increase every month. Manager Scanga expressed that he feels a 10% increase in wages is fair considering the cost of living in this area as well as the high inflation around the nation.

RECORD OF PROCEEDING

Augmentation Report

Manager Scanga displayed the augmentation report for August 31, 2021. As of the end of August, total State approvals for augmentation were 725.82 acre-feet. Replacements were 103.44 acre-feet including transit loss.

HYDROLOGIST REPORT

Reservoir Storage

Hydrologist Gertson reported that in our Twin Lakes account, we have 8.9 acre-feet of native water and 51.2 acre-feet of Twin Lakes, Transmountain water. Pueblo reservoir had 2753.9 acre-feet of project carryover and 599.0 acre-feet of project water. Total storage was at 4874.4 acre-feet.

Manager Scanga clarified for committee member Goodwin that District exchange decrees state that during the VFMP exchanges cannot cause an additional release to maintain the voluntary flow at the flow level target.

North Fork Reservoir Gate Repair

Hydrologist Gertson gave an update on the outlet gate repair at North Fork Reservoir. A video was presented showing the underwater divers at work.

Mr. Gertson stated that divers took 3 & 1/2 days to remove the old system and install the new system. He added that each diver has approximately 70 minutes of dive time based on altitude and water pressure. Hydrologist Gertson explained that once the hydraulics are removed then the ram is removed.

Manager Scanga asked the temperature of the water. Hydrologist Gertson said it is around 50 degrees.

Committee member Donley asked if all the hardware on the gate is stainless and if not suggested switching everything to stainless steel. Mr. Gertson stated that most of the bolts are stainless.

Hydrologist Gertson further explained that the main issue was the hydraulics that needed repaired. He said that a good inspection was done inside the pipe and the gate mounting structure was still in place. The divers along with Engineer Manera determined that the gate had a good seal and decided to leave the old gate and replace the hydraulic ram. It was discovered that after the old ram was removed that the new ram was slightly shorter and a different configuration with the new gate. Therefore, the distance of the yoke was shortened so the ram could fit on the old gate.

Manager Scanga explained that instead of using the new gate, the original gate frame was left inside the concrete box. He said that to use the new gate and frame, the concrete would have needed to be chipped out and re-grouted to install the new frame. He stated that since the old gate and frame were in good condition, they were left intact and no cathodic issues discovered.

Hydrologist Gertson explained that a bypass with new valves was installed so the hydraulics can be flushed.

Hydrologist Gertson stated that the initial problem seemed to be a hydraulics issue due to corrosion and gate constriction. He said there were a lot of loose fittings which allowed hydraulic fluid to leak out and water to seep in. He explained the problem wound up being a combination of loose fittings on the hydraulic system, corrosion of the hydraulic cylinder release valve and water in the lines. Mr. Gertson stated that when water in the lines mixes with oil it tends to clog up and reduce fluid movement. A special machine was used to separate the oil and water and flush the system and the old fluid was replaced with new hydraulic fluid. He added that there is now a functioning hydraulic gate and final SCADA installation is scheduled for September 20th.

Committee member Goodwin asked how divers were kept from being sucked into the dam? Manager Scanga said there are two valves and one is left closed. Hydrologist Gertson explained that there is a downstream slide gate valve in the lower vault system and the entire pipe was pressurized and tested

RECORD OF PROCEEDING

prior to the first dive to verify that closing the valve would not cause other issues or cause a potential reservoir issue. Manager Scanga stated that testing the valve reveals the integrity of the other valve and therefore the valve can be used for bypass flows more easily than the slide gate.

Committee member Donley asked why the fittings were loose? Hydrologist Gertson stated that it is due to long time use and sludge in the lines. He added that a bypass system was added to flush the lines. Manager Scanga further added that there was a small, relief valve located at the bottom of the old hydraulic cylinder that failed due to a pin hole which pulled water into the system.

Committee Hilderbrand asked if there will be regular inspections to eliminate future problems? Hydrologist Gertson answered that it is a matter of staying aware of any issues.

Manager Scanga said that the new system is designed to last much longer before any issues arise and repairs needed. He said that the style of the system has also changed making it last approximately 50 years. He added that regular inspections would cost around \$15,000 and replacement would cost less. Manager Scanga stated that keeping good records is key and if something questionable is discovered, it should be noted, observed and then inspected at that time.

ENGINEER'S REPORT – Wendy Ryan, Colorado River Engineering

Deferred to next meeting

LEGAL REPORT - Kendall Burgemeister, Law of the Rockies

Deferred to next meeting

OTHER BUSINESS

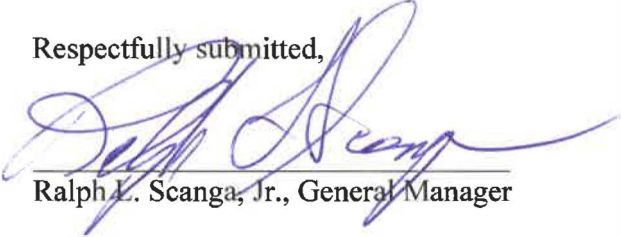
ADJOURN

No further business to come before the committee, the meeting adjourned at 2:56 pm

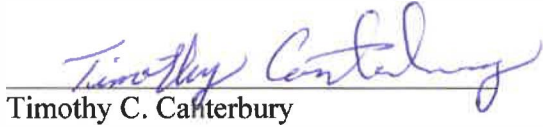
[The remainder of this page is intentionally left blank.]

RECORD OF PROCEEDING

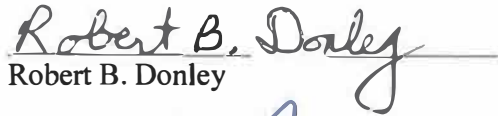
Respectfully submitted,


Ralph L. Scanga, Jr., General Manager

absent - no signature
Ken Baker


Timothy C. Canterbury

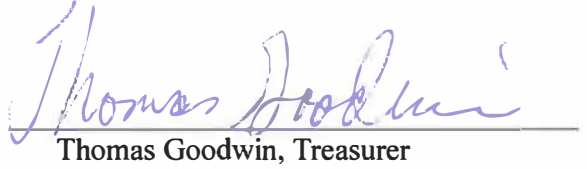
approved remotely - no signature
Mamie Colon


Robert B. Donley



Gregory W. Felt


Tom E. French


Brett A. McMurry

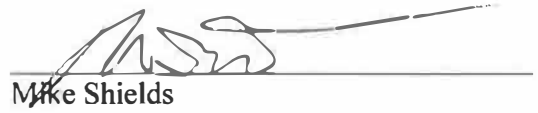

Thomas Goodwin, Treasurer


Richard Hilderbrand


Warren Diesslin

approved remotely - no signature
Tim Payne

absent - no signature
Tony Telck


Mike Shields