

PAGOSA AREA WATER AND SANITATION DISTRICT)
)
ARCHULETA COUNTY) S.S.
)
STATE OF COLORADO)

NOTICE OF SPECIAL MEETING

NOTICE IS HEREBY GIVEN that a Special Meeting of the Board of Directors of the Pagosa Area Water and Sanitation District has been scheduled for Monday, June 14, 2010, at 4:00 p.m. The primary purpose of this meeting is for discussions with the Board of Directors of the San Juan Water Conservancy District on water matters and the development of raw water projects. The Boards of Directors may enter into executive session for the purposes of discussion of matters related to land acquisition for development of raw water facilities and other matters subject to negotiation involving both Districts pursuant to Sections 24-6-402(4)(a) and 24-6-402(4)(e), C.R.S. The Meeting will be held at the District's administrative office located at 100 Lyn Avenue, Pagosa Springs, Colorado.

Proposed Agenda is as follows:

1. Call to Order
2. Discussion and Consideration of Proposed Dry Gulch Reservoir and Related Projects
 - A. Southwest Land Alliance
 1. Status Report
 2. Amended Conservation Easement Transaction Fee Agreement
 3. Sample Deed of Conservation Easement for Laverty Ranch
 - B. 2010 Projects and Funding
 - C. Water Supply Planning Group
 - D. Court Case 04CW085
3. Report on Archuleta County/Pagosa Springs Joint Impact Fee Analysis
4. Report on Colorado River Water Availability Study
5. Report on San Juan River Protection Work Group
6. Executive Session Pursuant to Sections as Described Above
7. Return to Open Session
8. Any Other Business Brought Before the Board Will Be Duly Considered.

PAGOSA AREA WATER AND SANITATION DISTRICT

By /s/ Carrie S. Weiss
For the Board of Directors

SEAL

PAGOSA AREA WATER AND SANITATION DISTRICT
SAN JUAN WATER CONSERVANCY DISTRICT
MINUTES OF THE SPECIAL MEETING
June 14, 2010

Attendance

The following Directors were present:

Representing SJWCD: Diane Bower, Pat Ullrich, Carrie Weiss, Jack DeLange, Harold Slavinski and Windsor Chacey.

Representing PAWSD: Steve Hartvigsen, Allan Bunch, Windsor Chacey, Bob Huff and Roy Vega.

Also present were Sheila Berger, Michelle Peterson, Jodie Blankenship, Chuck McGuire, Senator Bruce Whitehead, County Commissioner Bob Moomaw, Steve Laverty, Kurt Laverty, Michael Whiting, Bob and Jan Clinkenbeard, and Medray Carpenter.

Call to Order

The Special Meeting of the Pagosa Area Water and Sanitation District and San Juan Water Conservancy District was called to order by Acting Chairman Steve Hartvigsen at 4:05 p.m., Monday, April 12, 2010. On behalf of the SJWCD, a motion was made by Director Weiss and seconded by Director Bower to excuse Director Karen Wessels who had called and indicated she was unable to attend. The motion passed unanimously.

Disclosure of Potential Conflicts of Interest

Carrie Weiss had previously reported that she had filed a Conflict of Interest Disclosure regarding her position on the San Juan Water Conservancy District Board of Directors and receiving compensation for services as Manager for the Pagosa Area Water and Sanitation District. Karen Wessels had previously submitted a Disclosure as owner of Alpha Engineering, where one might perceive a conflict could arise. Windsor Chacey had previously submitted a Disclosure as a Director for the Pagosa Area Water and Sanitation District Board and a Director of the San Juan Water Conservancy District Board. The Boards noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Discussion and Consideration of proposed Dry Gulch Reservoir and Related Projects

- A. Southwest Land Alliance – Status Report, Consideration of Amended Conservation Easement Transaction Fee Agreement, and Sample Deed of Conservation Easement for Laverty Ranch

Michael Whiting, Executive Director of the Southwest Land Alliance, provided a background and status report to the Directors. His main points were: 1) the baseline documentation and fieldwork has been underway and nearing completion; 2) the negotiations are coming to a resolution that would include the Bill and Peggy Laverty property into the other Laverty family property easement; 3) The ball on the sample conservation easement deed is in the attorney's court. Mr. Whiting also stated that depending on the dry land and trail corridor described by the easement, there is a high likelihood of meeting a fall Great Outdoors Colorado (GOCO)

grant deadline, but GOCO has not set a date for that yet. Mr. Whiting stated he would proceed with drafting a grant application.

The Directors next discussed an extension of the Conservation Easement Transaction Fee Agreement between the Districts, the Lavery family and the Southwest Land Alliance. On behalf of the SJWCD, a motion was made by Director DeLange and seconded by Director Slavinski to extend the Conservation Easement Transaction Fee Agreement until December 31, 2010. The motion passed unanimously. On behalf of the PAWSD, a motion was made by Director Huff and seconded by Director Chacey to extend the Conservation Easement Transaction Fee Agreement until December 31, 2010. The motion passed unanimously.

Mr. Whiting next discussed the Sample Deed of Conservation Easement for Lavery Ranch with the Directors. He reported that there were no technical roadblocks at this point, the parties simply needed to agree on terms. Referring to a sketch map of potential building envelopes provided by the Districts' attorney, he explained that instead of focusing at this point on where the building envelope should be, they should focus on if the idea of a building envelope is comfortable to the Boards in terms of water quality. He stated that to his knowledge, the Lavertys are only requesting one building envelope. This was confirmed by Steve and Kurt Lavery who were in the audience.

The Directors discussed the Districts as signatories to the Sample Deed of Conservation Easement for Lavery Ranch. Director Vega questioned if PAWSD should be involved at all, opining this project should be the purview of the San Juan Water Conservancy District only. District engineer Steve Harris pointed out that PAWSD currently owns, and therefore has full control over, all of its raw water supplies. Michael Whiting confirmed that technically there is no need to have either of the Districts as a signatory to the conservation easement agreement, which technically is between the Lavertys and the SLA, but a signature demonstrates all parties are aware of and agree to the terms. He further stated that this agreement was a model in this community for public-private partnerships. After much ensuing discussion, Director Weiss asked for clarification as to if signature lines for the Districts should be in the agreement. Director Huff expressed that he didn't think a signature line was necessary, but in some separate, formal way for the public record the Districts should show that they understood, approved and accepted the terms of the conservation easement deed. On behalf of PAWSD, a motion was made by Director Vega and seconded by Director Bunch that the PAWSD not be a signatory to the Deed of Conservation Easement for Lavery Ranch but that the PAWSD participate in any codicil necessary to demonstrating PAWSD's interest in the agreement. The motion passed unanimously.

B. 2010 Projects and Funding

Director Weiss reported that the Districts have halted any additional costs related to a USFS Land Exchange, and reaffirmed that the SJWCD intends to fund the environmental work related to the USFS Special Use Permit. She added, as reported previously to the SJWCD, that the Southwestern Water Conservation District had recently approved the SJWCD's grant request of \$25,000 for said environmental work as it relates to the SJWCD's 6,300 Dry Gulch water storage right contingent upon the Archuleta County Board of County Commissioners' support for the request. She reported that the PAWSD presented to the County on May 24, 2010, and conceptually agreed to not expend any additional funds on the Dry Gulch Project except as concerning requirements for the water rights remand case and on-going Lavery conservation easement negotiations. The PAWSD Board discussed PAWSD's continued

involvement in and legal expenditures on the water rights case, with Director Vega stating his position that PAWSD should not be involved in the Dry Gulch reservoir project. Senator Whitehead pointed out that since PAWSD and the SJWCD jointly filed for the water rights in 2004, there might be some obligation for PAWSD to continue its participation therein. Chairman Hartvigsen reframed Director's Vega position, asking the Directors if, given the unknown outcomes of the community work group, it was appropriate for PAWSD to continue to move forward in pursuing water rights. Director Vega challenged the Board to state that it had more wisdom than the study group. More discussion ensued about the role of PAWSD. Director Vega ended the discussion by stating he was willing to support legal expenses for the remand case only to the extent that a settlement with Trout Unlimited is pursued by counsel.

The Directors discussed the useable capacity of Lake Hatcher as it pertained to Steve Harris' calculations of existing firm yield. Director Vega requested a third party report of draw-down as it related to water quality and the ability to continue to treat the water to meet drinking water regulations. All agreed that it would be beneficial for Gene Tautges and Patrick O'Brien, Briliam Engineering, to provide a cursory review of lake levels.

C. Water Supply Planning Group

Director Weiss reported that the first meeting of the work group was held last Wednesday, with one item on the agenda, that the work group did not have time to discuss, was the question of having a PAWSD representative at the table. She requested that the PAWSD Board discuss this in order to inform the work group at its next meeting of the Board's position on this matter. The Board discussed its involvement with the work group. Director Vega drew their attention to Section 8 of the District Bylaws which precludes involvement in committees such as these which produce recommendations that the Board would be voting upon. A motion was made by Director Vega and seconded by Director Bunch that no member of the PAWSD Board is a participating member of the community work group as precluded by District Bylaws. The motion carried 3 to 2 with Directors Huff and Chacey voting against.

Sheila Berger asked the Boards to consider a work session with facilitator Maro Zagoras following the next work group meeting, stating she would donate her time for this. The Boards agreed to a work session from 8 to 10 am on Thursday, July 1, 2010.

D. Court Case 04CW085

Director Weiss stated that she had no updates to report on the water rights remand case with Trout Unlimited. She stated that Judge Lyman has not yet set a status conference with the attorneys.

Report on Archuleta County / Pagosa Springs Joint Impact Fee Analysis

Director Weiss reported that Andy Knudtsen of EPS had admitted he had received the January 20, 2010 letter from the Districts, even though he had told the Pagosa Sun that he had not received it. He claimed he thought the Sun reporter was referring to a different letter. A conference call is scheduled with Mr. Knudtsen the following week so more will be reported.

Report on Colorado River Water Availability Study

Steve Harris provided an overview of the Colorado Water Conservation Board's Colorado River Water Availability Study, since he was contracted by the PAWSD and SJWCD, as well as several other water districts in the southwest region, to review the report on their behalf. He

explained that the highly technical report attempted to forecast what flows would be in the Colorado River in drought conditions, and how much water was left in the Colorado River for development. He stated that there would be a presentation by the CWCB on July 7 in Durango at the Southwest Basins Roundtable meeting. Director Huff asked if there was any information Mr. Harris could provide from this report that would be important for the work group's consideration, to which Mr. Harris replied that if the group decides it wants to account for global climate change, he can dig deeper into the study. He invited the Board members to the Roundtable meeting on July 7, 2010.

Report on San Juan River Protection Work Group

Director Chacey provided the Directors with a report on the status of the San Juan River Protection Work Group. She reported that the work group was close to a consensus on its value statement. She stated that the concerns of participants at the table ranged from water rights, privacy, property rights, rafters and river users. She reported that at the next meeting on June 24, 2010, the group would examine different protection tools and that for the following meeting a field trip was planned.

Other Business

Director Weiss reminded the other Directors that a cloud seeding workshop would be held in the PAWSD conference room on July 12, 2010 from 2 p.m. to 4:30 p.m. She suggested another joint meeting of the two water districts following that workshop at 4:30 p.m., to which the Boards agreed.

Director Vega suggested that with two vacancies on the SJWCD Board, the issue of interlocking directorates needed to be resolved. He expressed his opinion that the vacancies should not be filled with anyone having past or present relationship with PAWSD. Director Weiss noted that it has always been difficult to get volunteers to serve on the SJWCD Board, and it would be more so with such a stipulation.

Chairman Hartvigsen reported that he and County Commission Chairman Clifford Lucero had met that morning for breakfast. He reported that Commissioner Lucero had agreed that the work group was a step in the right direction, and that they had agreed to have a breakfast meeting again towards the end of the month.

There being no further business to come before the joint Boards, the meeting adjourned at 8:34 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer, PAWSD

Jack B. DeLange
Secretary, SJWCD