

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, January 11, 2010 at 10:00 a.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 are expected to enter into executive session for the purposes of conferences with legal counsel for receiving legal advice on litigation and discussing 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), 24-6-402(4)(b), 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. Executive Session Pursuant to Sections as Described Above
3. Return to Open Session
4. Discussion and Considerations of Dry Gulch Reservoir and Water Projects
 - A. Legal Updates/Supreme Court Opinion on Case No. 04CW085
 - B. Land Acquisition/USFS Land Exchange
 - C. Conservation Easement/Southwest Land Alliance Update
 - D. *Snowball Pipeline Replacement Evaluation in Vicinity of U.S. Hwy 160 Jackson Mountain Landslide Report*
 - E. 2010 Tasks
5. Ratify Letter to CWCB
6. Park Ditch
 - A. Improvements Project Update
 - B. Consideration of Shares
7. Discussion of *Archuleta County/Pagosa Springs Joint Impact Fee Analysis*
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 OF PAWSD AND SJWCD
JANUARY 11, 2010

Attendance

The following Directors were present:

Representing SJWCD: Ernie Amos, Carrie Weiss, Pat Ullrich, Fred Ebeling, Karen Wessels, Diane Bower, Windsor Chacey, Mark Garcia and Jack DeLange;

Representing PAWSD: Karen Wessels, Windsor Chacey, Steve Hartvigsen and Bob Huff.

Also present were Sheila Berger, Michelle Tressler, Steve Harris, Gregg Mayo, Gene Tautges, Allan Bunch and Chuck McGuire.

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 Chairman Ernie Amos (representing SJWCD) at 10:18 a.m., Monday, January 11, 2010. On behalf of the PAWSD Board, a motion was made by Director Hartvigsen and seconded by Director Chacey to excuse Harold Slavinski who was out of town. The motion passed unanimously. On behalf of the SJWCD, a motion was made by Director Garcia and seconded by Director DeLange to excuse Director Harold Slavinski who was out-of-town. 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. Chairman Karen Wessels had previously submitted a Disclosure as a Board of Director for the San Juan Water Conservancy District, the Pagosa Area Water and Sanitation District and as owner of Alpha Engineering, where one might perceive a conflict could arise. Harold Slavinski had previously submitted a Disclosure as a Board of Director for the District and a member of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Executive Session

A motion was made by Director Bower and seconded by Director DeLange, on behalf of the SJWCD Board, to enter into Executive Session at 10:18 a.m. for the purposes of conferences with legal counsel for receiving legal advice on litigation and discussing matters related to land acquisition for development of raw water facilities, pending litigation, and other matters subject to negotiation involving both Districts pursuant to Sections 24-6-402(4) (a), 24-6-402(4)(b), and 24-6-402(4)(e), C.R.S. The motion carried. A motion was made by Steve Hartvigsen and seconded by Windsor Chacey, on behalf of the PAWSD Board, for the above stated purposes. The motion carried.

The Directors returned to open session at 12:15 p.m.

Discussion and Considerations of Dry Gulch Reservoir and Water Projects

- A. Legal Updates/Supreme Court Opinion on Case No. 04CW085 – Director Weiss reported that a status conference between the attorneys and Judge Lyman has not yet been held, but that the timing of this was at the discretion of Judge Lyman. As soon as this status conference occurs, a trial date could be set. In a nutshell, not much has happened since the November remand. Chairman Amos suggested that a point of business should be whether the Districts wished to engage the firm BBC to provide data gathering services and expert opinion for the trial. Chairman Wessels voiced support for this. On behalf of the SJWCD, a motion was made by Director DeLange and seconded by Director Garcia to authorize the attorney to draft a letter of engagement with BBC for these services, not to exceed \$20,000, and authorize Chairman Amos to sign. The motion passed unanimously. On behalf of PAWSD, a motion as made by Director Hartvigsen and seconded by Director Chacey to authorize the attorney to draft a letter of engagement with BBC for these services, not to exceed \$20,000, and authorize Chairman Wessels to sign. The motion passed unanimously. Regarding the West Fork Diligence case, Carrie Weiss reported that the Districts are still in negotiation with the property owner, so no action has taken place.
- B. Land Acquisition – Sheila Berger provided maps and an overview of the status of the Ridge property, which is a portion of Running Iron Ranch property that the Districts own, that is not needed for the reservoir. She reported that based on Dean Schultz’s (surveyor with Davis Engineering) assessment, there is approximately 213 acres of property that could be sold as one large piece and it would cost him approximately \$2,500 to \$3,500 to survey and record the plat. She stated that she had spoken with the appraiser who originally appraised the entire Running Iron Ranch property, and that his estimate was approximately \$2,000 to come out and reappraise this piece provided the gravel pit lease was not an issue. If it was, the cost could increase accordingly. Director Chacey expressed concerns about selling the property, such as restricting future public access, having “trophy homes” on top of the ridge above the reservoir, the current economy and the amount of vacant land currently for sale. She questioned if it was financially astute to sell the property at this time. She also voiced concern about asking for grants and then turning around and selling the grant-funded property. Chairman Wessels responded that at issue is how to fund the land trade for the Forest Service property, and that this is a potential option. She expressed the importance of clearing such a transaction with the CWCB prior to moving forward on offering the property for sale. Ms. Berger asked the Boards to consider two things. First, whether or not to dispose of the property at all, and second, if to consider if they were willing to sell the property (as opposed to simply trying to exchange it). Chairman Amos stated he felt that the door for selling should be kept open, and if the Districts want to talk to anyone about purchasing the property, there is some information they will need to provide such as a survey. Director Ebeling felt the money should not be spent at this time for a survey. Director Hartvigsen voiced that if the survey and plat recording were done now, it would be good forever. Chairman Wessels agreed, stating that at a minimal cost, once the survey was completed further details about the property may come to light. Regarding the gravel pit lease, Director Weiss stated that she felt the Webers were not

willing to give up the lease and we would need to establish if they would be willing to transfer it to another party for a price. On behalf of PAWSD, a motion was made by Director Hartvigsen and seconded by Director Huff to authorize Davis Engineering to complete the survey and direct staff to put a package of information together, sharing costs 50% with the San Juan Water Conservancy District. The vote passed with one nay vote by Director Chacey. On behalf of SJWCD, a motion was made by Director Bower and seconded by Director DeLange to authorize Davis Engineering to complete the survey and direct staff to put a package of information together, sharing costs 50% with the Pagosa Area Water and Sanitation District. The vote passed with two nay votes by Directors Chacey and Ebeling.

Director Garcia suggested that with consensus approval by the Boards, he could approach the subject with the Southern Ute Indian Tribe (SUIT) of sharing in the cost of the Dry Gulch Reservoir, saying he had upcoming meetings planned with them. The Boards directed him to set up a meeting with the SUIT on this topic.

- C. USFS Land Exchange and Special Use Permit – Director Weiss reported that the application for the Special Use Permit has been made but due to staff cuts at the USFS, the application process had been put on the agency’s back burner. Director Hartvigsen added that the current backlog of lands issues at the USFS is approximately 2-3 years. Sheila Berger reported that no action, aside from the Ridge property initial investigation, had taken place regarding a land exchange.
- D. Conservation Easement – Director Weiss directed the Boards’ attention to an email from Michael Whiting with the Southwest Land Alliance. She expressed concern that the application for the GOCO grant will not be ready for the February 25th submittal deadline given that there are a number of tasks remaining to complete. She reported that draft easement language had been sent to the attorneys a week ago but that the acreage remained a question. She suggested that negotiations with Bill and Peggy Laverty need to begin and negotiations with the Laverty children need to resume.
- E. MWH Snowball Pipeline Replacement Evaluation Report – Gregg Mayo gave an overview of the final report that was provided by MWH Americas in December. He reported that MWH identified four options for dealing with the Jackson Mountain slide area. The ultimate recommendation was horizontal directional drilling under the slide. There would only be one property owner to deal with, the District wouldn’t have to deal with the USFS , and only temporary easements would be required in order to lay out the pipe. He stated that 130 feet under the slide lens would be the deepest point. He also reported that he, Art Holloman, Sheila Berger and Steve Harris had a meeting scheduled that afternoon with CDOT personnel to discuss the potential for collaboration and pooling of resources.
- F. 2010 Financial Report and Tasks – Shellie Tressler went over the Revised Dry Gulch Budget. She pointed out that an expense that had changed at the last minute was the Special Use Permit line item, for which 100% of the cost had been allocated to the SJWCD. She noted that the budget numbers associated with the purchase of the remaining private property is an allowance and not a certain number. She further noted

that this revised budget reflects cost estimates associated with pursuing the water rights remand court case.

Ratify Letter to CWCB

Director Weiss provided a background for the letter to the CWCB dated November 19, 2009. On behalf of SJWCD, a motion was made by Director DeLange and seconded by Director Garcia to ratify the letter. The motion passed unanimously. On behalf of PAWSD, a motion was made by Director Huff and seconded by Director Chacey to ratify the letter. The motion passed unanimously.

Park Ditch Company

Sheila Berger provided an update on the Park Ditch Improvements Project, reporting that the project was completed, a year ahead of schedule and several thousand dollars under budget, and the final report had been furnished to the CWCB, one of the granting agencies that helped fund the project.

EPS Impact Fee Report

Director Weiss provided an update on the status of the EPS report, stating that comments were due back to EPS via Greg Schulte by January 20, 2010. She stated that there are some flagrant misperceptions, and suggested that both Boards authorize the Districts' attorney to make comments on the report. Sheila Berger provided the PAWSD Board members with the list of concerns previously compiled at the SJWCD Board meeting. Director Weiss further suggested that BBC also be authorized to review the EPS report as part of the work that they are doing for the Districts on the Dry Gulch water rights remand case. On behalf of SJWCD, a motion was made by Director Garcia and seconded by Director DeLange to engage BBC and the District attorney to review the EPS report and to split the cost for this 50% with the PAWSD. The motion passed unanimously. On behalf of PAWSD, a motion was made by Director Hartvigsen and seconded by Director Chacey to engage BBC and the District attorney to review the EPS report and to split the cost for this 50% with the SJWCD. The motion passed unanimously.

Schedule of 2010 Meeting to Include Review of Water Rights and Strategy

The Directors discussed dates for the next joint meeting. March 8, 2010 after the SJWCD was the first choice with an alternate date of March 15, 2010.

Other Business

Director Weiss reported that there are some proposed ballot initiatives for the November, 2010 ballot that if pass, would be detrimental to revenues for the Districts. She reported, for example, that one of them would take away the SJWCD's ability to impose a property mill levy tax. She suggested that at the March or April meeting the Boards might consider a resolution of position on these initiatives, following resolutions by other entities such as the Special Districts Association.

Director Weiss stated that if a special meeting of the Boards is required prior to the March meeting in order to discuss the conservation easement language with the Southwest Land Alliance, she will let them know. Chairman Amos and Director Hartvigsen confirmed that they

PAGOSA AREA WATER AND SANITATION DISTRICT

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

SEAL

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
JANUARY 12, 2010 REGULAR MEETING

Attendance

The following Directors were present: Karen Wessels, Steve Hartvigsen, Windsor Chacey and Bob Huff. Also in attendance were: Carrie Weiss, Gene Tautges, Art Holloman, Sheila Berger, Michelle Tressler, Lisa Dermody, Mat deGraaf, Chuck McGuire, Allan Bunch, Becca Smith and Ron Decker.

Disclosure of Potential Conflicts of Interest

Carrie Weiss had previously reported that she had filed a Disclosure of Conflict of Interest 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 a Board of Director for the District, as a member of the Board of Directors of the Pagosa Area Water and Sanitation District, and as owner of Alpha Engineering, where one might perceive a conflict could arise. Harold Slavinski and Windsor Chacey had previously submitted a Disclosure as a Board of Director for the District and as members of the Board of Directors of the Pagosa Area Water and Sanitation District. The Board noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Call to Order

The Regular Meeting of the Pagosa Area Water and Sanitation District was called to order by Chairman Karen Wessels at 6:35 p.m. on January 12, 2010. A motion was made by Director Hartvigsen and seconded by Director Chacey to excuse Director Harold Slavinski who was out-of-town. The motion passed unanimously.

Approval of Consent Agenda

The minutes from the December 14, 2009 Regular Meeting, as well as other items from the Consent Agenda, were reviewed. Chairman Wessels requested an edit to the minutes. Director Chacey requested a status update on the Village Lake Dam repair, and expressed concern about draining the lake. Art Holloman was asked to clarify what was meant by repairs to "frozen services." Mr. Holloman reported that there was a recurring situation of a frozen line on Lewis Street which was planned for repair this summer. Gene Tautges provided a status update on the Highlands Lagoon Elimination Project. Chairman Wessels expressed congratulations to the staff on behalf of the Board on receiving the water conservation grant of \$48,700. Following discussion of Consent Agenda items, a motion was made by Director Chacey and seconded by

Director Huff to approve the items on the consent agenda subject to the editorial change to the minutes. The motion passed unanimously.

Public Comment

Chairman Wessels asked if there were any public comments. None were offered.

Consideration of Resolution Regarding Posting for Meetings

The Board reviewed the resolution. There was no discussion. A motion was made by Director Huff and seconded by Director Chacey to approve the resolution. The motion passed unanimously.

Report on Automatic Meter Reading Project

Lisa Dermody provided the Board with an update of the Automated Meter Reading program and other customer service-related topics. She stated that PAWSD is now in the second season of reading residential meters in the winter; in November, 99.48% of the meters were reporting data and in December 98.22% were reporting, remarkable given the amount of snow that fell in December. That was the percentage of meter readings that reported in through the Mosaic Mesh Network; the rest were either read manually or estimated due to various reasons- mostly snow covering the Firefly repeater. She reported that seven solar-powered enhanced repeaters were installed which will help the meters report in a consistent manner, a key to profiling accounts. At no charge, Datamatics installed the seven replaced battery-powered repeaters around the District in order that the coverage remains excellent. She brought the Board's attention to the new leak rate policy adjusted figures, and stated that Water Conservation Coordinator Mat deGraaf was collecting and analyzing data from AMR in order to start tracking service line leaks. Through weekly data comparisons they had identified, for December, 30 accounts that had water leaks with a total amount of water lost to those leaks of 1,235,000 gallons. She pointed out that had those leaks gone undetected without the AMR capability for winter meter reading and data analysis, the amount of water lost would have been staggering. She stated that the number one cause of these leaks was ruptured pipes. Allan Bunch provided a testimonial to the success of the AMR program as one of the customers who was contacted for a leak. Ms. Dermody emphasized that although the technology provides District staff the ability to catch and intervene in leaks earlier than in the past, it is the property owner's responsibility, not the District's, to catch and repair service line and plumbing leaks. Ms. Dermody stated that five accounts are being tested with meter pulses in 100 gallon, as opposed to 1000 gallon, increments, with the long-term goal to convert all accounts to 100 gallon increments. This pilot program is a test of the data collection and billing system. Ms. Dermody gave an overview of other customer-related data such as data on credit card, online and 3rd party amounts processed. She informed the Board that the District will be switching from IntelliPay to Express Bill Pay service for customer online payments in February. The District will notify existing users by email about the new payment processing service; customers will be required to re-set up their accounts.

Ratify Revision to 2010 Mill Levy Certifications and Budget Documents

Finance Manager Shellie Tressler provided the revised 2010 budget. Carrie Weiss reported that due to a \$298 change in the tax revenues, it changed the entire budget, lessening the mill levy for each of District 1 and District 2 by 0.001. A motion was made by Director Huff and seconded by Director Hartvigsen to ratify the revisions to the 2010 Mill Levy Certifications and Budget Documents. The motion passed unanimously.

Ratify Award of Bids and Change Orders for Centrifuge/Biosolids and Elimination of Highlands Lagoon Projects

The Board reviewed the bid award and change order documents. Chairman Wessels requested a clarification/explanation of the biosolids facility pilot project and funding, referring to the last paragraph of Article One in the bid award document. Gene Tautges provided an explanation of why the biosolids component was framed as a pilot project, primarily in order to allocate the ARRA funding by the deadline in order to not lose any of the amount authorized for this project. He stated that as a pilot project, the preferred alternative method of treating biosolids for beneficial use may be tested without tying the District to that method, in order to ensure that method works for our climate and systems. Chairman Wessels requested that Mr. Tautges explore the possibility of using the authorized ARRA funding to try a different method in the case that the pilot project fails. After discussion by the Board, a motion was made by Director Huff and seconded by Director Hartvigsen to ratify the bid award to Southwest Contracting, LLC in the amount of \$4,201,500. The motion passed unanimously. A second motion was made by Director Hartvigsen and seconded by Director Huff to ratify approval of a change order to Triad Western Contractors, Inc. in the amount of \$350,000 for Highlands Lagoon Elimination Project contingency. The motion passed unanimously. A third motion was made by Director Chacey and seconded by Director Hartvigsen to ratify approval of a change order to Southwest Contracting, LLC. in the amount of \$320,000 for Centrifuge/Biosolids Project contingency. The motion passed unanimously.

Consideration of Award of Bids for 2010 Water and Sewer Pipeline Extensions

Carrie Weiss provided to the Board the staff recommendation that Hart Construction be awarded the bid for the 2010 District contractor, noting that their bid was \$190,975 and the only other bidder, TC Pipeline, was \$275,190. She also noted that Hart Construction has been the District contractor since 2007 and the District's working relationship with them is very positive. A motion was made by Director Huff and seconded by Director Hartvigsen to approve the award of the contract for 2010 Water and Sewer Pipeline Extensions to Hart Construction. The motion passed unanimously.

Consideration of Resolution Calling for 2010 Regular District Election

The Board reviewed the resolution for the District election in May 2010. Chairman Wessels noted the deadlines so stated in the resolution as well as the location of polling place, at the Upper San Juan Health Service District location on N Pagosa Blvd. A motion was made by Director Huff and seconded by Director Hartvigsen to approve the resolution. The motion passed unanimously.

Report on Fee Agreement with 49 Hickory Ridge/Opportunity Builders

Carrie Weiss reported that the water service connection had been completed on November 30, 2009 and that a revised Deed of Trust and Promissory Note had been prepared reflecting the Board's direction on July 15, 2008, to recalculate the Water Resource Fee based upon the Universal Plumbing Code methodology and to allow a one-year delay in payments, after the final connection, of the amount assessed amortized over 40 years. Mrs. Weiss indicated that all documentation necessary to reflect the Boards direction had now been completed. Chairman Wessels questioned that the new monthly amount in the Deed of Trust seemed to be too high. Shellie Tressler stated that she would take a look at the math. A motion was made by Director Chacey and seconded by Director Huff to approve the revisions to the documents

subject to the monthly payment amount being correct or corrected. The motion passed unanimously.

Considerations of Revisions to District Personnel Handbook

Chairman Wessels reported that some changes and edits have been made to the Personnel Handbook. She provided the other Directors with copies of Linda Alexander's letter and suggested revisions. She suggested that in order to save paper, that the handbook be placed on the web site and when there are revisions to the handbook in the future, that the employees can be alerted to the changes and they can view them at their convenience. Sheila Berger expressed misgivings about having an internal document, particularly one related to personnel issues, on a public website. Art Holloman expressed concern about how an employee would furnish a signature page agreeing to the terms of the handbook if the changes were on the web site. Following this discussion, a motion was made by Director Hartvigsen and seconded by Director Chacey to approve the revisions, as attached to the minutes, to the Personnel Handbook. The motion passed unanimously. Further personnel matters will be discussed at the February Regular Board Meeting, and subsequent revisions to the Personnel Handbook will then be incorporated.

Public Outreach

Sheila Berger gave the Directors a brief overview of public outreach activities since the December meeting. Specifically, the first electronic newsletter would be sent out shortly and the KWUF January show on the 18th would be on the District accomplishments in 2009 and plans for 2010 with Carrie Weiss and Sheila Berger. Mat deGraaf provided the Directors with a description of the movie screening event, "Blue Gold," that the District would be hosting on March 1, 2010 at the Liberty Theater, stating that the Southwest Organization for Sustainability and the Pagosa Brewing Company had agreed to be co-sponsors. The Board members discussed the appropriateness of having alcohol available at the event versus the increased exposure it would provide. The consensus of the Board was to move forward with the co-sponsors but to downplay the beer component.

Other Business

Sheila Berger provided the Board with an overview of the Strategic Planning effort to date, suggesting that there would be an approximately 4-hour session with the Directors sometime in mid-February.

Chairman Wessels provided the Directors and audience with two articles from the Denver Post on country-wide water supply issues.

Chairman Wessels announced that with regard to the newly-implemented Enhanced Wellness Benefit Plan, Pagosa Fire Protection District Chief Ron Thompson thought it was highly possible that the PAWSD staff could use the fire district's gym facility for a minimum amount. He requested that PAWSD write a letter to the PFPD Board to make a formal request. A motion was made by Director Chacey and seconded by Director Hartvigsen to approve directing staff to write a request letter to the PFPD Board of Directors. The motion passed unanimously.

There being no further business to come before the Board, the meeting was adjourned at 7:58 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer

PAGOSA AREA WATER AND SANITATION DISTRICT)
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ARCHULETA COUNTY) SS
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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, January 25, 2010, at 5:00 p.m. The Board of Directors will immediately enter into executive session for the purpose of discussion of personnel matters pursuant to Section 24-6-402(4)(f), C.R.S. The meeting will be held at the District's administrative offices located at 100 Lyn Avenue, Pagosa Springs, Colorado. Proposed Agenda is as follows:

1. Call to Order
2. Executive Session (pursuant to Section 24-6-402(4)(f), C.R.S. as described above)
3. Return to Open Session
4. Consideration of Employment Benefits and Salary Comparison Study - August, 2009 and Merit Adjustments
5. 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

**RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
JANUARY 25, 2010 SPECIAL MEETING**

Attendance

The following Directors were present: Chairman Karen Wessels, Bob Huff, Windsor Chacey, Steve Hartvigsen, and Harold Slavinski. District Manager Carrie Weiss was also present. No members from the public were in attendance.

Call to Order

The Special Meeting of the Pagosa Area Water and Sanitation District was called to order by Chairman Karen Wessels at 5:23 p.m. on Monday, January 25, 1010.

Disclosure of Potential Conflicts of Interest

Chairman Karen Wessels is owner of Alpha Engineering and a member of the Board of Directors of the San Juan Water Conservancy District ("SJWCD"). Harold Slavinski and Windsor Chacey are also members of the Board of Directors of the SJWCD. Carrie Weiss is also a member of the Board of Directors of the SJWCD, and as Manager of the Pagosa Area Water and Sanitation District contracts with the SJWCD for administrative services. Disclosures of Conflict of Interest Statements have been properly and previously filed, and the Board noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Executive Session

Harold Slavinski moved to enter into executive session at 5:24 p.m. for the purposes of discussion of personnel matters subject to Section 24-6-402(4)(f), C.R.S. The motion was seconded by Windsor Chacey and carried.

Reconvene to Special Meeting

Directors returned to regular session at 8:28 p.m.

Manager's Evaluation

Directors commended Carrie Weiss on her job performance during 2009. Harold Slavinski moved to approve a 3% merit pay increase in accordance with her evaluation. The motion was seconded by Bob Huff and carried. Direction was given for revisions to certain Individual Performance Objectives specific to the Manager and supervisory staff to be incorporated in 2010, and a Core Competency revision for staff performing evaluations. Mrs. Weiss thanked the Board and stated that the significant accomplishments of the District would be not possible without skilled and dedicated staff as well as the Board of Directors.

Employment Benefits and Salary Comparison Study and Merit Adjustments

Carrie Weiss requested acceptance of the *Employment Benefits and Salary Comparison Study – August, 2009*. Discussion ensued with regard to the detail and previous meetings held by the personnel committee (consisting of two Board and four staff members) which led to further consideration by the entire Board in August, 2009. In reviewing the record, Mrs. Weiss

realized that the Study had not been accepted by the Board, but noted that certain aspects had been implemented or were implied. She requested formal action to accept the Study and with the addition of numbers 5 and 6, Specific Conclusions, as indicated on the attached Executive Summary of the Study. A motion was made by Harold Slavinski and seconded by Bob Huff to accept the Study with the stated additions.

Mrs. Weiss requested Board approval for merit and bonus pay adjustments for certain employees. Windsor Chacey moved to approve those recommendations as adjusted by the Board of Directors. The motion was seconded by Bob Huff. The motion carried with three ayes and two nays.

Other Business

Directors discussed a request from the Archuleta County Board of County Commissioners (BoCC). The Commissioners had responded to the District Board's invitation to a meeting between both Boards; however, the BoCC wants the meeting to be held at a larger facility and invite public comment. It was determined that this approach would defeat the purpose of the meeting and would accomplish nothing. It is hopeful the BoCC will concur that a Board to Board meeting is the most productive manner. It was noted that all District Regular Meetings provide for public comment. Seldom is there comment, not to mention minimal public attendance.

Adjournment

There being no further business to come before the Board, the meeting was adjourned at 9:25 p.m.

Respectfully submitted,

Windsor Chacey
Secretary

PAGOSA AREA WATER AND SANITATION DISTRICT)
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ARCHULETA COUNTY) S.S.
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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, February 8, 2010, at 9:15 a.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. Towards the end of the meeting, the Boards of Directors are expected to enter into executive session for the purposes of conferences with legal counsel for receiving legal advice on litigation and discussing 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), 24-6-402(4)(b), 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 Considerations of Dry Gulch Reservoir and Water Projects
 - B. Conservation Easements
 - Status Report from Southwest Land Alliance - Michael Whiting
 - Conservation Easement Deed for Laverty Ranch
 - Application to GOCO
 - B. Land Acquisition
 - Laverty
 - USFS Land Exchange
 - C. CWCB Loan Contract Amendment
 - D. Court Case 04CW085
3. Consideration of Agreement with BBC Research
4. Executive Session Pursuant to Sections as Described Above
5. Return to Open Session
6. 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
FEBRUARY 8, 2010

Attendance

The following Directors were present:

Representing SJWCD: Ernie Amos, Carrie Weiss, Harold Slavinski, Fred Ebeling, Karen Wessels, Diane Bower, Mark Garcia and Jack DeLange;

Representing PAWSD: Karen Wessels, Harold Slavinski, Steve Hartvigsen and Bob Huff. Also present were Sheila Berger, Michelle Tressler, Gene Tautges, Steve Laverty, Michael Whiting, Allan Bunch and Bill Hudson.

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 Ernie Amos at 9:20 a.m., Monday, February 8, 2010. On behalf of the SJWCD, a motion was made by Director Garcia and seconded by Director Bower to excuse Director Pat Ullrich and Director Windsor Chacey

who had called and indicated they were unable to attend. The motion passed unanimously. On behalf of the PAWSD Board, a motion was made by Director Huff and seconded by Director Slavinski to excuse Director Winsdor Chacey. 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. Chairman Karen Wessels had previously submitted a Disclosure as a Board of Director for the San Juan Water Conservancy District, the Pagosa Area Water and Sanitation District and as owner of Alpha Engineering, where one might perceive a conflict could arise. Harold Slavinski had previously submitted a Disclosure as a Board of Director for the District and a member of the Board of Directors of the San Juan Water Conservancy District. The Board 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 Considerations of Dry Gulch Reservoir and Water Projects

A. Conservation Easements- Michael Whiting representing the Southwest Land Alliance (SLA) provided the Boards with a verbal status report on the conservation easement deed for the Laverty Ranch and application to Great Outdoors Colorado (GOCO). He reported that draft conservation easement language had been circulated to the Districts' attorneys Evan Ela and Kathryn Garner, with subsequent revisions. He had also provided a copy to the Laverty family, who was not receptive to some of the conditions. He acknowledged that progress was slow regarding negotiations with the Lavertys on the different areas the parcel in question – the piece below the 7410 foot contour and the piece above to the top of the watershed- but reminded the Boards that the Lavertys are three working families being asked to make decisions that affect the future of their property in perpetuity, and asked that the Districts have patience as this is typical of the conservation easement process. He briefly mentioned the second Laverty parcel owned by parents Bill and Peggy Laverty, suggesting that the focus be kept, for the time being and for the purposes of this discussion, on the Laverty children's property (Laverty Ranch). Mr. Whiting stated that the title search confirmed clear access to the property. Chairman Amos asked what were the major steps to completing the conservation easement, to which Mr. Whiting responded 1) having legal access across the Bill and Peggy Laverty property; 2) having clear title; 3) the conservation easement appraisal; and 4) a baseline documentation report. On the latter point, he reported that SLA Land Stewardship Coordinator Karen Freeman had gathered sufficient data before snowfall to develop a conditional baseline report which will be completed after the property is clear of snow. He stated that this is standard practice, acceptable by the State and GOCO. He stated that the only piece left is the conservation easement appraisal which cannot be completed until the final deed, with its rights and restrictions, is nearly complete because the appraisal is only good for 60 days.

Chairman Amos asked for an estimate of when this all might come together, to which Mr. Whiting replied that it depends on how quickly the specific terms of the deed can be negotiated. He stated that he had spoken to Steve Laverty about phasing the conservation easement process, such that the first phase would entail placing an easement on the property below the 7410 foot contour rather than the PAWSD purchasing this portion of the Laverty Ranch fee simple. The second phase would be an easement from the 7410'

contour to the watershed line, with considerations for the rights and restrictions there. He stated that in the second phase easement, the Lavertys would like a building envelope(s) within the watershed, which he felt would not be a deal-breaker. Chairman Amos asked if Mr. Whiting had a rough sketch of how the Lavertys' future plans lay out which would be helpful to the Districts' attorneys. Chairman Amos stated that he felt the attorneys should have as much information as possible and that there was a big disconnect in understanding between all of the parties. He further stated that he took responsibility for the parties going in two different directions and he wanted to get back to everyone going in the same direction.

Steve Laverty, who was in the audience, stated that the Lavertys wish to focus on the 7410 foot reservoir project boundary line and put a conservation easement below this contour (Phase One), because they would like to retain ownership of the property with the right to ranch on it until the time that the property is inundated. He stated that his family is hesitant to sell the property to the Districts fee simple. Director Weiss requested clarification to the statement that the inundated portion (that portion below the 7410 foot contour) would be placed into a conservation easement, but GOCO would not assist funding of this easement as had previously been determined. Mr. Whiting replied that GOCO does not do "under water" easements and that their funding would offset the cost of the second easement (that above the 7410 foot contour). He stated that this leaves the Districts the opportunity to do an easement purchase on Phase One without the GOCO complication, which results in the same total expenditure but in two different phases. His stated feeling was that given where the Lavertys are and given the Districts' desire to move forward, the phasing approach would seem to be in the best interest of both parties.

Chairman Amos requested verification that the contract with the SLA ends on May 12, 2010 and asked what happens after that, to which Mr. Whiting responded that he is working with the Lavertys and has been paid to finish the project and assured the Boards that he is not going to walk away. He stated that no additional fees will be charged for an extended contract. Director Weiss stated that because the contract with the SLA is binding, it would be in everyone's best interest to extend it. Chairman Amos requested a monthly written report from Mr. Whiting, to which he agreed. Director Garcia asked how the GOCO application was coming together, to which Mr. Whiting responded that because GOCO will fund the second phase of the easement, he will aim to apply for the fall round. Director Weiss pointed out that up to a week ago, the parties were still looking to submit an application to GOCO for the spring (March 2) round. She requested a report in writing from Mr. Whiting stating what has been done to date, what still needs to be accomplished and a timeline for these tasks. She stated the Districts have time constraints for this purchase because the PAWSD loan contract ends in 2012, and she expressed concern as the process continues to drag out. Mr. Whiting responded that conservation easements require a tremendous amount of patience, requiring all parties to move at the pace of the landowner. He further stated that easements are not something to go into lightly as they permanently encumber property rights, and he felt that the Lavertys are operating in good faith with deep reservations. He stated that he could put together a tentative timeline and plug in the fall GOCO deadline but again, it will be subject to the pace of the landowner. Director Huff stated that he recognized that there will be a lot of time before build out and he is not comfortable being pushed by a loan deadline. Mr. Whiting stated that he felt the

parties were close to having a deal in principle and it just needs to go back and forth between the attorneys.

Director Huff asked for clarification on the phasing approach, if the initial easement would identify “the shell.” Mr. Whiting responded that yes, the first easement would describe the project boundary and the restrictions within that project boundary. Director Huff asked what happens 30 years from now if future Boards build a smaller reservoir – what happens to the “outer shell?” Mr. Whiting responded that this property will still, and always, belong to the Lavertys. If the Districts settle on a certain size that becomes the fixed size – if at some point the Districts say, “This is all we’re ever going to build,” and it is less than 35,000 acre-feet, then the Lavery Family will still have the right to graze and ranch within the first easement, upon the dry land. At this point Director Hartvigsen drew a diagram of the easement phasing on the white board. Audience member Bill Hudson took a picture of the diagram and asked why the Districts were planning for an easement based on a reservoir size of 35,000 acre feet rather than 19,000 acre feet. Mr. Whiting explained that a conservation easement is in perpetuity and that it is very difficult and costly to change an easement, so the parties were setting the easement for largest reservoir size topographically possible. He stated that it is better to use the largest possible project boundary on which to predicate a permanent, perpetual easement.

Director Hartvigsen asked Steve Lavery what he would recommend to the Districts regarding the Bill and Peggy Lavery property, to which Mr. Lavery responded that a lot depends upon resolving the building envelopes in the watershed portion of the Lavery Ranch property. He stated that Bill and Peggy have discussed gifting their property to the Lavery children but they have to investigate the tax ramifications of that. He suggested that the best approach for the Districts was to move forward with the Lavery Ranch as has been discussed and then move forward with Bill and Peggy on their property, because what affects the Lavery Ranch affects Bill and Peggy’s property. Mr. Whiting indicated that there will be the potential to talk to Bill and Peggy on the second phase of the easement and perhaps there will be an opportunity at that time to include a portion of their watershed into the easement. He noted that a demarcation along the watershed would cut the Bill and Peggy Lavery property in half, which is a concern to them.

- B. Land Acquisition/USFS Land Exchange – Sheila Berger reported that no progress had been made on the USFS land exchange or sale of the Ridge property. She stated that she planned to contact the State for information on the mining lease.
- C. CWCB Loan Contract Amendment – Sheila Berger requested the approval of both Boards for staff to work with the CWCB on potential changes to the terms of the loan contract in order to accommodate potential changes in the nature of the land acquisition, such as using conservation easements and using proceeds of a sale of loan-funded property (the Ridge property) to acquire other property needed for the project (Forest Service property). On behalf of the SJWCD, a motion was made by Director Garcia and seconded by Director DeLange to direct staff to work with the CWCB and attorneys on any required changes to the loan contract. The motion passed unanimously. On behalf of the PAWSD, a motion was made by Director Hartvigsen and seconded by Director Slavinski to direct staff to work with the CWCB and

attorneys on any required changes to the loan contract. The motion passed unanimously.

- D. Court Case 04CW085 – Director Weiss reported that the attorney for Saddleback Ranch has requested a 90 day extension on the court settlement decree because they are in negotiations with a potential buyer. She stated that there are no updates to report on the Trout Unlimited/Dry Gulch water rights court case.

Consideration of Agreement with BBC Research

The Boards considered an agreement to engage BBC Research and Consulting (BBC). Director Weiss invited the Directors to take a copy of the agreement which was on the table. She provided the Boards with an overview of the agreement, stating that the firm will prepare and review data related to local economic and population growth and will serve as an expert witness in the Trout Unlimited water rights case. She reported that the cost estimate BBC had provided for this work was \$25,000-\$40,000 and noted that this was more than the Districts had budgeted for in 2010. Director Slavinski asked how the Districts would be billed, to which Director Weiss responded that BBC would submit for progress payments as they had done for their prior work. Director Ebeling asked if the Districts should be spending money to have consultants get up and say that the data we provided was accurate. Director Hartvigsen countered by stating that BBC's demonstrated past work and expertise directly ties with the Districts' situation. Director Huff stated his feeling that the Supreme Court is asking the Districts to slow down and take a look at realistic population projections, and that when the Districts can demonstrate need for the water rights they are requesting, they will get it. Director Garcia stated his feeling that the Supreme Court just wants the lower court to do due diligence. Director Hartvigsen expressed concern that the agreement states that BBC works at the direction of Mr. Ela, the Districts' attorney, and that he felt the Boards need to be more closely engaged in giving that direction. Chairman Amos added a suggestion that a list of questions and concerns about BBC be compiled for the attorney. Director Garcia expressed his opinion that Trout Unlimited has forced us to spend more money. The Directors continued to discuss the qualifications of BBC and the attorney's recommendations, reviewing the resumes of BBC staff attached as part of the agreement. Following this discussion, on behalf of the SJWCD, a motion was made by Director Weiss and seconded by Director Bower to approve the agreement with BBC, authorizing up to \$40,000 to be spent split equally between the SJWCD and the PAWSD with the strong request to BBC to keep expenses to a minimum, and to change the agreement to reflect the first task as being the examination of the EPS Impact Fee Study, subject to Counsel approval given preparation timeline requirements for the Trout Unlimited court case. The motion passed unanimously. On behalf of PAWSD, a motion was made by Director Huff and seconded by Director Slavinski to approve the agreement with BBC, authorizing up to \$40,000 to be spent split equally between the SJWCD and the PAWSD with the strong request to BBC to keep expenses to a minimum, and to change the agreement to reflect the first task as being the examination of the EPS Impact Fee Study, subject to Counsel approval given preparation timeline requirements for the Trout Unlimited court case. The motion passed unanimously.

Executive Session

On behalf of the SJWCD Board, a motion was made by Director Bower and seconded by Director Garcia to enter into Executive Session at 10:49 a.m. for the purposes of conferences with legal counsel for receiving legal advice on litigation and discussing matters related to land

NOTICE OF WORK SESSION, REGULAR MEETING, AND PUBLIC HEARING

NOTICE IS HEREBY GIVEN THAT a Work Session and Regular Meeting of the Board of Directors of the Pagosa Area Water and Sanitation District have been scheduled for Tuesday, February 9, 2010, at 5:30 p.m. and 6:30 p.m. respectively. The Work Session and Regular Meeting will be held at the District's administrative office located at 100 Lyn Avenue, Pagosa Springs, Colorado. The proposed Agenda is as follows:

1. Call to Order
2. Approval of Consent Agenda
 - Minutes – 01/11/10, 01/25/10 Special Meetings and 01/12/10 Regular Meeting
 - Staff Report
 - Projects Update
 - Change Order – Triad Western Contractors, Inc. - Highlands Lagoon Project
 - Annual Report – I & I, Grease, Sump Pumps, Cross-Connection, Valves
 - Service Agreements – Great West Institute, MWH Americas Inc.,
GK Fine Masonry
 - 49 Hickory Ridge Apartments, L.P. Promissory Note Modification Agreement
 - Consultant Reports
3. Public Comment
4. Water Conservation Program
 - Smart Water Audit Program - Tracy Bouvette
 - Toilet and Clothes Washer Rebate Programs – Mat deGraff
 - Ratify Resolution to Bureau of Reclamation Water Conservation Field Services
Program Water Marketing and Efficiency Grants
5. 7:00 Public Hearing – Inclusion of Real Property into the District
 - The Cecka Family Living Trust
6. Consideration of Request for Participation from Pagosa Outreach Connection
7. Consideration of Report and Request from Pagosa Lakes Property Owners
Association Concerning Village Lake Dam Repairs
8. Ratification and Consideration of Notice of Award and Change Order
 - Southwest Contracting, LLC – Centrifuge/Biosolids Project
 - Weaver General Construction – Hatcher Water Treatment Plant Improvements
 - M.C. Company – Parking Lot Repairs
9. Consideration of District Schedule of Fees and Charges and Extended
Amortization of Water Resource Fee
10. Consideration of Main Line Extension Permit – Pagosa Mesa Heights West LLC,
David Scherer and Jack Searle
11. Consideration of Engagement Letters for 2009 Audit – Wall, Smith, Bateman
& Associates, Inc.; Clark, White, & Associates, Inc.
12. Consideration of Refinancing 1998 Revenue Bond Issue
13. Consideration of Resolution Amending 2009 ARRA Program Loan Agreements
Between District and Colorado Water Resources and Power Development
Authority and Related Documents
14. Report on Strategic Planning
15. Public Outreach
16. Discussion of Revisions to District Rules and Regulations
17. 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

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
FEBRUARY 9, 2010 REGULAR MEETING

Attendance

The following Directors were present: Karen Wessels, Harold Slavinski and Bob Huff. Also in attendance were: Carrie Weiss, Gene Tautges, Art Holloman, Sheila Berger, Michelle Tressler, Mat deGraaf, Tracy Bouvette, Allan Bunch, Patrick O'Brien, Larry Lynch, Barbara Hendricks, Don Ford and Carlos Alvarez.

Disclosure of Potential Conflicts of Interest

Carrie Weiss had previously reported that she had filed a Disclosure of Conflict of Interest 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 a Board of Director for the District, as a member of the Board of Directors of the Pagosa Area Water and Sanitation District, and as owner of Alpha Engineering, where one might perceive a conflict could arise. Harold Slavinski and Windsor Chacey had previously submitted a Disclosure as a Board of Director for the District and as members of the Board of Directors of the Pagosa Area Water and Sanitation District. The Board noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Call to Order

The Regular Meeting of the Pagosa Area Water and Sanitation District was called to order by Chairman Karen Wessels at 6:30 p.m. on February 9, 2010. A motion was made by Director Huff and seconded by Director Slavinski to excuse Director Windsor Chacey, whose mother passed away and is out-of-town, and Director Steve Hartvigsen, who is recovering from surgery. The motion passed unanimously.

Approval of Consent Agenda

The minutes from the January 12, 2010 Regular Meeting, January 11, 2010 Special Joint Meeting with the San Juan Water Conservancy District, and the January 25, 2010 Special Meeting as well as other items from the Consent Agenda, were reviewed. A motion was made by Director Slavinski and seconded by Director Huff to approve the items on the consent agenda. The motion passed unanimously.

Public Comment

Chairman Wessels asked if there were any public comments. None were offered.

Water Conservation Program

Tracy Bouvette of Great Western Institute provided an update on the Smart Water Audit Program. He reminded the Board that the District received a Water Efficiency Grant from the CWCB for \$48,700 to retrofit businesses with water-efficient appurtenances. The grant is providing the funds to purchase the toilets, waterless urinals, faucet aerators and showerheads. He noted that the total project cost is approximately \$74,000 including in-kind work, with PAWSD responsible for the labor to perform the audits and subsequent retrofits. He stated that the focus is on the businesses that use large volumes of water such as motels, hotels and restaurants. Mr. Bouvette explained the process of the Smart Water Audit Program. In addition to the five pilot audits he conducted with Denise Rue-Pastin last year, he and Water Conservation Coordinator Mat deGraaf performed ten audits this week including the Pagosa Lakes POA Recreation Center, the Library and the Chamber of Commerce. He will analyze the results of these audits and they will decide where the retrofits will take place. He stated that the paybacks on retrofits were 5-8 years for toilets, a few weeks for faucet aerators and a few months for showerheads. Mr. Bouvette indicated that the installations will take place in March, and advised that this should be coordinated with messaging and press releases to make the largest public “splash.” He felt that between the demonstrated water savings from this project and the Automated Meter Reading (AMR) water use tracking ability, the District should be able to obtain additional grants from the State. Mr. Bouvette further stated that he is working with the State and its SWSI analysis to determine how to focus water conservation dollars and efforts for the greatest opportunities for water savings, noting that “You folks [the District] are a model for where the State is going with this thing.” He noted that the CWCB will be holding a meeting in Durango in May and recommended that it would be to the State’s and District’s benefit to attend and share our water conservation program.

Sheila Berger asked how would customers interested in having an audit performed get on the list for the next round. Mr. Bouvette recommended a wait-and-see approach; have interested businesses contact Mat deGraaf and then gather all of the inquiries and assess how many there are. He cautioned to steer away from performing residential audits, as they do not provide much “bang for the buck.” Gene Tautges asked Mr. Bouvette about water conservation mechanisms for outdoor irrigation, to which he suggested sub-metering automated systems for data capture, installing evapotranspiration (ET) controllers and encouraging xeriscaping.

Following Mr. Bouvette’s presentation, Mat deGraaf provided the Board an overview of the 2009 toilet and washing machine rebate programs (reports attached). He reported that 48 toilets were replaced and 32 washing machines were replaced in 2009, for a total program year-to-date expenditure of \$39,249 and a total avoided cost of \$190,882. He stated that these programs provide a large return on investment for the District, adding that the total average annual water savings due to the rebate programs is approximately 50 acre-feet. He noted that 2009 represented a resurgence of interest and participation in the program. Chairman Wessels asked about the difference in gallon requirements and energy usage between the high efficiency and replacement washing machines, to which Mr. deGraaf responded that a high efficiency washer uses 21 gallons per load versus the typical machine which uses 42 gallons per load. He added that most of the machines are “Energy Star” certified, requiring much less energy as well.

Mr. deGraaf also reported that Project Planet was launched in December. Of the ten targeted hotels, 8 are participating (one was unresponsive and one has closed). He stated that the feedback on the program has been very positive, with one hotel, the Oak Ridge Lodge,

receiving several customer cards supporting the program and the hotel's effort therein. Mr. deGraaf also reported that he is building a leak tracking spreadsheet to track water loss due to service line leaks, using the AMR data. He provided the Board with the leak statistics for 2009, noting that for the year approximately 5,390,000 gallons were lost. He stated that if these leaks had not been detected through the AMR technology and we still were not reading meters during the winter, this loss would have been much greater.

Next, the Board considered a Resolution to submit a grant proposal to the Bureau of Reclamation Water Conservation Field Services Program Water Marketing and Efficiency Grant Program. Sheila Berger provided the Board an overview of the project for which the District was submitting a proposal. She reported that the request was in the amount of \$50,000 to purchase an additional 320 (approximately) water meters that could be programmed to read in increments of 100 gallons or less. If the grant is obtained, this would add to the already budgeted \$128,000 for the replacement of 500 older residential meters and reprogramming of 1000 of the newer, reprogrammable meters. Because the grant application needed to be submitted by February 5th, the Board was polled for approval. A motion was made by Director Slavinski and seconded by Director Huff to ratify approval of the Resolution. The motion passed unanimously.

Public Hearing – Inclusion of Real Property into the District

Chairman Wessels opened the Public Hearing regarding inclusion of real property into the District at 7:20 p.m. (She had asked if there was any objection from the public to delay opening to allow the aforementioned time to complete their presentations; there were no objections.) The Board reviewed a corrected Petition for Inclusion and Conditions of Inclusion for The Cecka Family Living Trust ("Petitioner"). The Petition was first presented and approved by the Board at the November 10, 2009 Regular Meeting. It was subsequently discovered that the legal ownership was in a different name. The Petitioner was seeking inclusion of 39.68 acres into the District and requesting the allocation of 1 Equivalent Unit for water and sewer service. Staff recommended approval of the inclusion. A motion was made by Director Huff and seconded by Director Slavinski to approve the Inclusion of Real Property into the District for water and sewer service. The motion passed unanimously. The Public Hearing was closed at 7:21 p.m.

Consideration of Request for Participation from Pagosa Outreach Connection

Pastor Don Ford representing the Community Methodist Church, Barbara Hendricks representing Archuleta County Department of Human Services and Father Carlos Alvarez representing the Sacred Heart of Mary Catholic Church assembled to present the Board with a request for the District's participation in the Pagosa Outreach Connection (POC) program. First, Pastor Ford gave a brief overview of the program, stating that it is a consortium of faith-based and community-based service organizations working together to assist those in need. In 2009 this consortium provided \$99,264 in assistance. The types of assistance provided range from rent, mortgage and utility bill payments to prescriptions, hearing aids and car repairs. The County's Department of Human Services receives and initially screens the applications for eligibility prior to the weekly discussion of representatives from the POC agencies. He stated that the idea for PAWSD's participation would be similar to the LPEA "Round-Up" program wherein customers can designate an extra amount on their monthly utility bill to the POC. Director Huff asked if the District's billing software is able to support this. Carrie Weiss responded that it did not but if a customer notes on his bill that the extra amount is to go to the

POC, the District can design a way to track that. She noted that there have been property owners who have sent in extra money requesting it be distributed to those facing economic hardship.

Barbara Hendricks stated that if the Board decides to participate, a PAWSD representative could be part of the interagency committee. Ms. Weiss asked, for clarification, if this person needs to attend once a week. Pastor Ford responded that yes, someone needs to attend weekly or PAWSD would need to designate someone to allocate the funds collected by PAWSD customers that are specific to the POC program. A motion was made by Director Slavinski and seconded by Director Huff to participate with the Pagosa Outreach Connection. The motion passed unanimously.

Consideration of Report and Request from Pagosa Lakes Property Owners Association Concerning Village Lake Dam Repairs

Larry Lynch, representing the Pagosa Lakes Property Owners Association (PLPOA), provided the Board with an overview of the project need and status. He stated that the project involves replacing 172 feet of galvanized steel corrugated pipe that is encased in concrete and almost completely corroded. This pipe is the only outlet pipe from Village Lake through the dam into Lake Forest. The State is requiring the repair, which will most likely involve draining Village Lake. Mr. Lynch requested permission from the Board to drain Village Lake this fall in order to make repairs to the outlet pipe and the dam. Director Huff asked if it had been determined that it was necessary to drain the lake? Mr. Lynch responded that PLPOA's engineering firm, URS, was exploring that but felt that repairs without draining would be expensive and problematic, if it could even be done. He stated that because of a land bridge that bisects the lake, there would still be a fair amount of water at the east end from where the irrigation water is pulled. He also stated that the timeframe would be about two weeks to make the repair, which would take place in the fall after irrigation was no longer an issue. Director Huff requested a staff recommendation. Gene Tautges stated that without additional information from PLPOA's engineering firm, giving conditional permission to drain the lake would be appropriate, because if the repairs are not made the State can dictate conditional storage. Mr. Lynch stated that URS does not feel that repairs can be done without draining the lake. Art Holloman added that if the Board gave the PLPOA permission to drain the lake, it would be PAWSD's job to do so.

Following this discussion, Mr. Lynch made a second request for the District to provide monetary assistance for this project, stating that PLPOA owns the dams but PAWSD owns the water. He presented the Board with the URS evaluation of project alternatives and cost estimates, noting that the PLPOA Board had directed him to pursue Alternative One in the estimated amount of \$117,200. Mr. Lynch suggested that some of the cost participation could be in the form of in-kind labor and equipment. He stated that costs will be more solid by early to mid-summer. Chairman Wessels asked about the life expectancy of the options, to which Mr. Lynch replied 30 to 50 years. Shellie Tressler stated that any money for this project would need to come from reserves as this is an unbudgeted project.

The Board discussed the project further, concurring with the need to make the repairs but concerned with the unbudgeted expenditure and the need to fill Stevens Reservoir this fall before water can spill down to fill Village Lake. A motion was made by Director Huff and

seconded by Director Slavinski to continue to cooperate with the PLPOA on this project and directing staff to continue to work with the PLPOA staff. The motion passed unanimously.

Ratification and Consideration of Notice of Award and Change Order

Southwest Contracting, LLC – Centifuge/Biosolids Project. The Board considered ratification of a revised Notice of Award to Southwest Contracting, LLC. Carrie Weiss explained that this action was necessitated as a result of inaccurate information provided to the Board at the January meeting due to the involvement of many people and constantly shifting ARRA deadlines. She vehemently assured the Board that there had been no misappropriation of funds, merely a reporting error. A motion was made by Director Huff and seconded by Director Slavinski to ratify the revised Notice of Award to Southwest Contracting, LLC. in the amount of \$3,751,500. The motion passed unanimously.

Weaver General Construction – Hatcher Water Treatment Plant Improvements. The Board considered approval of Change Order #1 for an increase in labor costs in an effort to upgrade the plant's firm yield capacity. A motion was made by Director Slavinski and seconded by Director Huff to approve Change Order #1 for Weaver General Construction in the amount of \$38,071 for the Hatcher Water Treatment Plant Improvements. The motion passed unanimously.

M.C. Company – Parking Lot Repairs. A motion was made by Director Huff and seconded by Director Slavinski to approve issuing a Notice to Proceed to M.C. Company in the amount of \$57,750.93 for Lyn Avenue parking lot repairs and resealing. The motion passed unanimously.

Consideration of District Schedule of Fees and Charges and Extended Amortization of Water Resource Fee

Shellie Tressler provided the Board with an overview of the proposed revisions (attached) to the District's Schedule of Fees and Charges. She noted that no increase in water nor wastewater service charges is proposed. She stated that an additional proposed charge for the Board's consideration was related to damage to the AMR FireFly equipment, explaining that several units had been damaged this winter at District cost to replace or repair, including labor. Staff recommended adding a charge to customers equal to the current cost of replacing a FireFly (\$104) and one hour of labor if needed (\$45) if the customer either intentionally or inadvertently damaged the FireFly. Shellie requested that if this additional charge was approved by the Board, that a press release be let advertising this charge and cautioning customers to be careful when working around their meter pits. A motion was made by Director Slavinski and seconded by Director Huff to approve the revised Schedule of Fees and Charges, to include the new FireFly equipment replacement and repair charge. The motion passed unanimously.

Consideration of Main Line Extension Permit

Pagosa Mesa Heights West LLC, David Sherer and Jack Searle – The Board reviewed a request for a Main Line Extension Permit. Carrie Weiss stated that staff recommended approval. A motion was made by Director Huff and seconded by Director Slavinski to approve the Main Line Extension Permit for Pagosa Mesa Heights West LLC. The motion passed unanimously.

Consideration of Engagement Letters for 2009 Audit

Wall, Smith, Bateman and Associates, Inc. – The Board reviewed the letter of engagement and scope of work from Karla Willschau of Wall, Smith, Bateman and Associates, Inc. Director Huff asked if there was any reason to change firms, as this firm has performed the District’s audit for the last two years, to which Carrie Weiss responded, “No.” A motion was made by Director Huff and seconded by Director Slavinski to approve engagement of Wall, Smith, Bateman and Associates, Inc. for the 2009 audit. The motion passed unanimously.

Clark, White, and Associates, Inc. - The Board reviewed the letter of engagement and scope of work from Karla Clark of Clark, White, and Associates, Inc. Shellie Tressler explained that using Ms. Clark to compile the financials in compliance with GASB in preparation for the work of Wall, Smith, Bateman and Associates was an effective business practice. A motion was made by Director Huff and seconded by Director Slavinski to approve engagement of Clark, White, and Associates, Inc. for the 2009 audit. The motion passed unanimously.

Consideration of Refinancing 1998 Revenue Bond Issue

Shellie Tressler provided an overview of the refinancing question. She reported that the bond issue is scheduled to be paid off in 2013, but Don Diones of George K. Baum & Company and John Self of Wells Fargo had approached her with refinancing plans that would reduce the current interest rate. However, upon further investigation, the complications and cost of refinancing eliminated most of the net gain of a lower interest rate. Therefore, Ms. Tressler proposed a different option: that the District make accelerated payments, similar to making an extra mortgage payment on a house. She presented the Board with a payment schedule demonstrating that with an extra payment per year, this would provide a net savings to the District of \$51,123 with the debt paid off in December, 2012. She explained that the other benefit to this approach is that the Board would not be locked into this accelerated payment schedule; they could assess doing this each year depending upon revenues and ability to do so. A motion was made by Director Slavinski and seconded by Director Huff to make an additional payment for 2010 in the amount of approximately \$200,000 towards the 1998 Revenue Bond debt service. The motion passed unanimously.

Consideration of Resolution Amending 2009 ARRA Program Loan Agreements Between District and Colorado Water Resources and Power Development Authority and Related Documents

Shellie Tressler provided a brief synopsis of the reason for this resolution. She reported that all recipients of American Reinvestment and Recovery Act (ARRA) funds were required to submit to the State what amount of their original authorization was under contract by December 31, 2009. Any authorized funds not under contract had to be returned back to the State for the State’s reallocation. Ms. Tressler stated that of the District’s original \$9,322,353 authorization, only approximately \$111,000 remained un-appropriated (not under contract) on December 31, 2009. She reported that many recipients lost more than that. Ms. Tressler further reported that because PAWSD had been at the funding cutoff resulting in half the loan being 0% ARRA and half being 0% State Revolving Fund base loan funding, the State was requesting that the District reallocate some of its base loan with ARRA and thus assist the State in utilizing all of its federal ARRA allocation. Otherwise, the State would forfeit that amount of unallocated ARRA funds back to the federal government and lose the ability to participate in a next round of federal funding. She assured the Board that this reallocation from base loan to ARRA loan makes no difference to the bottom line amount or the 0% interest rate but greatly assists the State, which is anxious for the Board to approve and submit this Resolution and

amended documents. A motion was made by Director Huff and seconded by Director Slavinski to approve the Resolution amending the 2009 American Reinvestment and Recovery Act Program loan agreements and authorizing the Chairman and Acting Board Secretary Harold Slavinski to sign and execute the documents. The motion passed unanimously.

Report on Strategic Planning

Sheila Berger provided the Board with documents and an overview of the Strategic Planning process to date. She requested that the Board set two dates for two 4-hour work sessions in which they and staff will prioritize the District's Strategic Issues and develop the plan, which will become the Strategic Plan, for addressing these issues over the next five years. She stated that the hoped-for timeline was to have a document for consideration at the Board's April meeting. After discussion, the following tentative dates were set: March 8 or March 9 at 9 a.m. and April 2 at 9 a.m. Because two Board members were absent, it was recognized by all that these dates were subject to change.

Public Outreach

Sheila Berger provided the Board with an overview of public outreach activities for the past month and upcoming. She reported that she had submitted a press release for the groundbreaking of the second phase of the Highlands Lagoon ARRA-funded project, which was to occur on Friday, February 12 at 9 a.m. at the Vista Wastewater Plant, as well as a press release related to the new on-line bill pay system. She reported that due to the President's Day holiday, there would be no KWUF radio show in February. Finally, she reminded the Board of the PAWSD-sponsored movie "Blue Gold" that is scheduled for March 15, 2010 at the Liberty Theater.

Discussion of Revisions to District Rules and Regulations

Carrie Weiss reported that there was no copy to provide to the Board at this time but that they should receive it in about 1 ½ weeks in order to fully review prior to the March meeting. After their review and discussion, and incorporation of further comments, the Board would then consider the document for adoption at the April meeting.

Other Business

Chairman Wessels reported on her conversations with the County Commissioners (BoCC) regarding the joint meeting that had been scheduled and cancelled. She stated that Commissioner Moomaw did not understand that the PAWSD Board simply wanted to have a Board-to-Board meeting, not a public forum, and he had gone ahead and reserved an overly large meeting room at the Pagosa Lakes Clubhouse. She reported that she is working now with Commissioner Clifford Lucero, who is the new BoCC Chairman. She stated her position, which was that if people were concerned they would attend the PAWSD meetings and also that the District has met with or provided information to the County staff and BoCC seven times and that she felt the District had nothing to hide.

Director Huff interjected that he felt the meeting should be the kind of meeting they were having now: eight people sitting around a table having a conversation, seeking mutual understanding. He felt that the wrong kind of meeting – such as one designed to be a public forum – sets everyone backwards and becomes a public trial with political posturing. He stated that the three main points he would like the BoCC to understand through meaningful dialogue would be: 1) The Districts bought property for a future reservoir - there is no reversing that

STATE OF COLORADO

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NOTICE OF WORK SESSION AND REGULAR MEETING

NOTICE IS HEREBY GIVEN THAT a Work Session and Regular Meeting of the Board of Directors of the Pagosa Area Water and Sanitation District have been scheduled for Tuesday, March 9, 2010, at 6:00 p.m. and 6:30 p.m. respectively. The Work Session and Regular Meeting will be held at the District's administrative office located at 100 Lyn Avenue, Pagosa Springs, Colorado. The proposed Agenda is as follows:

1. Call to Order
2. Approval of Consent Agenda
 - Minutes – 02/08/10 Special Meeting and 02/09/10 Regular Meeting
 - Staff Report
 - Projects Update
 - Mesa Heights West Subdivision
 - Services Agreement – Briliam Engineering Services, LLC
3. Public Comment
4. Consideration of Participation with Pagosa Outreach Connection
5. Consideration of Agreements Related to Jackson Mountain Slide Area Mitigation Agreement with CDOT
 - Memo of Understanding for Storage of Excess Rock with Running Iron Ranch and Weber Family
6. Consideration of Request for Contribution/Sponsorship
 - Pagosa Mountain Hospital Golf Tournament
 - Relay for Life – American Cancer Society
7. Consideration of Request from Dennis and Marcilee Custer to Eliminate Availability of Service Charges
8. Consideration of Acknowledgement of Assignment from American National Bank to UMB Bank
9. Discussion of Revisions to District Rules and Regulations
10. Consideration of District Personnel Policy/Handbook
11. 2009 Connections Report
12. Public Outreach
13. 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

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
MARCH 9, 2010 REGULAR MEETING

Attendance

The following Directors were present: Karen Wessels, Steve Hartvigsen, Harold Slavinski and Bob Huff. Also in attendance were: Carrie Weiss, Gene Tautges, Sheila Berger, Michelle Tressler, Chuck McGuire, Allan Bunch, David Sherer, Roy Vega, Steve Van Horn, Bill Hudson, Lee Vorhies, Lisa Reeve and Janet Santopietro.

Disclosure of Potential Conflicts of Interest

Carrie Weiss had previously reported that she had filed a Disclosure of Conflict of Interest 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 a Board of Director for the District, as a member of the Board of Directors of the Pagosa Area Water and Sanitation District, and as owner of Alpha Engineering, where one might perceive a conflict could arise. Harold Slavinski and Windsor Chacey had previously submitted a Disclosure as a Board of Director for the District and as members of the Board of Directors of the Pagosa Area Water and Sanitation District. The Board noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Call to Order

The Regular Meeting of the Pagosa Area Water and Sanitation District was called to order by Chairman Karen Wessels at 6:31 p.m. on March 9, 2010. A motion was made by Director Huff and seconded by Director Slavinski to excuse Director Windsor Chacey, whose mother passed away and is out-of-town. The motion passed unanimously.

Approval of Consent Agenda

The minutes from the February 9, 2010 Regular Meeting and February 8, 2010 Special Joint Meeting with the San Juan Water Conservancy District, as well as other items from the Consent Agenda, were reviewed. Chairman Wessels noted a couple minor corrections to both sets of minutes. The Board discussed the fire flow requirements for the Mesa Heights West subdivision. Carrie Weiss confirmed that these have been approved by the Pagosa Fire Protection District. A motion was made by Director Slavinski and seconded by Director Huff to approve the items on the consent agenda and the minutes as corrected. The motion passed unanimously.

Public Comment

Chairman Wessels asked if there were any public comments. Steve Van Horn, referring to a letter from the Archuleta County Board of County Commissioners (BoCC) that had been sent to the PAWSD Board earlier in the day, expressed that he was “shocked” at the letter and asked the Directors why they had refused to meet with the BoCC. Chairman Wessels replied that in actuality, the PAWSD Board had initially extended an invitation to the BoCC to informally meet, and it was they who had refused that invitation. Mr. Van Horn asked if that meant the BoCC was lying in their letter when they accused the PAWSD Board of refusing to meet. Chairman Wessels confirmed yes (specific to the District’s initial invitation), not having had the opportunity yet to have read the letter to which Mr. Van Horn was referring to. Chuck McGuire asked if the emails between PAWSD and the County were available. Chairman Wessels replied that the emails between her and Commissioner Bob Moomaw were available. Manager Carrie Weiss informed the audience that the BoCC had just approved the letter in a meeting that morning and it had only been given to the PAWSD Board that evening. There was no further public comment.

Consideration of Participation with Pagosa Outreach Connection

Chairman Wessels recapped the mission and request of the Pagosa Outreach Connection (POC) for the Directors and audience. She stated that the District's attorney had advised that statutorily, government agencies are not allowed to donate money to public organizations but that the risk in this case is minimal because the contribution is staff in-kind time. She reminded the Directors that PAWSD has donated to other causes such as the United Way, Relay for Life, and the Town of Pagosa Springs Fourth of July fireworks display. Director Slavinski asked how much staff time would be involved. Carrie Weiss responded that it would be minimal and if it becomes too much, the Board can always decide to withdraw from participation. She noted that the County is participating through their Department of Human Services involvement so the risk to PAWSD is minimal, and that the attorneys recognize that some local governments do donate to help the local communities they serve. Ms. Weiss also confirmed that it is not necessary to have a PAWSD representative on the POC Board attending the weekly meetings. By consensus, the Board decided to uphold their February vote of approval to participate.

Consideration of Agreements Related to Jackson Mountain Slide Area Mitigation Agreement with CDOT

1. Letter of Intent with CDOT: Carrie Weiss presented the letter to the Directors for their consideration, noting that it was still in draft form. Chairman Wessels commented that it seemed as though the \$120,000 amount that CDOT budgeted for replacing 750 lineal feet of the District's raw water line was minimal. A motion was made by Director Huff and seconded by Director Slavinski to approve the Letter of Intent with CDOT. The motion passed unanimously.
2. Memorandum of Understanding (MOU) with Running Iron Ranch and the Weber Family: The Directors considered an MOU with the Running Iron Ranch and Weber Family to store waste rock from the Highlands Lagoon Elimination Project at the Dry Gulch Reservoir Running Iron Ranch property. Chairman Wessels asked for staff to clarify the exact location of this storage area, and asked if other storage locations had been considered. Gene Tautges and Sheila Berger explained the reasons for locating the waste rock storage near the operating gravel pit site. Director Hartvigsen asked about the term of the waste rock storage, to which Ms. Berger responded that the waste rock would be needed by CDOT for the Jackson Mountain project approximately the summer of 2011. A motion was made by Director Huff and seconded by Director Slavinski to approve the Memorandum of Understanding for Storage of Excess Rock with the Running Iron Ranch and the Weber Family. The motion passed unanimously.

Consideration of Request for Contribution/Sponsorship

1. Pagosa Mountain Hospital Gold Tournament: Carrie Weiss presented the letter of request from the Pagosa Mountain Hospital for PAWSD to sponsor a hole in the amount of \$100 for "The Scrubs" tournament to be held May 22, 2010, at the Pagosa Springs Golf Course. She noted that the Board has supported similar events in the past. After Board discussion and viewing the request as a benefit to the community, a motion was made by Director Hartvigsen and seconded by Director Slavinski to sponsor one hole for the Pagosa Mountain Hospital Golf Tournament in the amount of \$100. The motion passed unanimously.
2. Relay for Life, American Cancer Society: The Board discussed becoming a sponsor of the American Cancer Society's Relay for Life event that will be held in Pagosa Springs

June 18 and 19, 2010. Carrie Weiss noted that a few years ago the Board sponsored this event in the amount of \$100. A motion was made by Director Huff and seconded by Director Slavinski to make a donation in the amount of \$100 for the American Cancer Society's Relay for Life event. The motion passed unanimously.

Consideration of Request from Dennis and Marcilee Custer to Eliminate Availability of Service Charges

Carrie Weiss provided the Directors with background to this request, stating that the Custers own a tract of land that is primarily marshland. Ecosphere Environmental Services has reported that although residential construction could occur on this parcel under a US Army Corps of Engineers Permit 29, there would be substantial wetlands mitigation costs. The County Building Department will not acknowledge the buildability of a parcel before someone requests a building permit. The County Assessor's office has this parcel classified as "greenbelt." She stated that it appears this lot is a wetland and unbuildable. Ms. Weiss recommended that if the Board decides to remove the Availability Charges, they should also direct staff to record an instrument declaring that if building occurs on this parcel, back charges will be due. A motion was made by Director Slavinski and seconded by Director Huff to cease the Availability Charges for the parcel owned by Dennis and Marcilee Custer, account number 815R, and to attach language to this account that if the property is built upon, back charges will be due. The motion passed unanimously.

Consideration of Acknowledgement of Assignment from American National Bank to UMB Bank.

Carrie Weiss provided a letter to the Directors from UMB Bank for their consideration. Chairman Wessels asked if there was any reason the Board should not agree to the change of assignment, to which Ms. Weiss replied no and that staff recommends approval. Shellie Tressler added that when staff had researched why assignment consent was being requested on some bond obligations and not others, the Acknowledgement was only required in the specific language in these bond resolutions. Staff had requested a letter (copy attached) to affirm that servicing and custodial obligations for all existing bond obligations as well as the 1998 revenue bond reserve fund invested in a Forward Purchase Agreement are being assigned to and accepted by UMB. A motion was made by Director Huff and seconded by Director Hartvigsen to approve the assignment from American National Bank to UMB Bank. The motion passed unanimously.

Discussions of Revisions to District Rules and Regulations

The Directors discussed the revisions to the District Rules and Regulations. Carrie Weiss stated that the draft document is for discussion only at this time and that any comments by the Directors will be incorporated into the final document, which will be presented for adoption at the April meeting. She noted that the last major revision to the Rules and Regulations was approximately three years ago, and that this revision incorporates all of the policy changes since then. Chairman Wessels asked if, in light of the Mesa Heights West fire flow situation, the definition for operating standards should be changed on Page 6. Gene Tautges replied that there are adequate provisions in the definition as written for the District to deviate from fire flow standards if so approved by the Pagosa Fire Protection District. He added that Section 7.4.2 was inapplicable and would be deleted. Ms. Weiss directed the Board's attention to Section 10.17. She reported that it is the attorney's recommendation to add language to this Section stating that the District will begin disconnect proceedings for property owners who do

not submit meter sizing worksheets upon the District's request for this information. Ms. Weiss also requested that the Board consider adding a clarification to the Leak Rate policy as to whether the leak rate ends at the structure or extends to service line leaks that originate from under the structure. She reminded the Board that extensive staff research indicates that the District is the only agency that offers a Leak Rate policy, and so is already generous in that regard. Audience member Lee Vorhies commented that as a plumber, he knows that the property owner has several options for controlling the freezing of service lines in the crawl space and under the property, such as freeze alarms and solenoid switches. A motion was made by Director Slavinski and seconded by Director Hartvigsen to amend the Leak Rate policy to specifically state that it applies only up to the perimeter of the foundation. The motion passed unanimously.

Consideration of District Personnel Policy/Handbook

Chairman Wessels noted that although a full Board was not in attendance, Director Chacey had sent in a statement of her position on the matters for discussion. This statement was distributed to the Directors. Chairman Wessels reviewed the issues that the Directors needed to discuss regarding the Personnel Policy: 1. Should decisions on all grievances stop at the District Manager level, unless the grievance involved the District Manager, or should staff have the ability to appeal the Manager's decision to the Board? 2. Should the Personnel Policy contain language clarifying the use of medical marijuana during work hours? 3. Should the Personnel Policy contain language pertaining to parental involvement and the Colorado K-12 Act? Chairman Wessels noted that she had previously suggested that the Policy be placed on the website in order to curb paper use but had since concluded that this was not a concern for her at this time. She also noted that attorney Linda Alexander had stated that the grievance policy could be written to allow staff to appeal to the Board, and that Ms. Alexander had also suggested that additional language pertaining to medical marijuana use and the K-12 Act may be appropriate.

The Directors discussed the grievance policy section. Chairman Wessels reiterated that she had asked Ms. Alexander if the District could go further than the District Manager with regard to the grievance policy to which Ms. Alexander had responded yes, but that this would be a different methodology than what we typically see in place at special districts. Director Huff asked where this question was coming from and if the District was experiencing problems with some staff desiring to go around the decision of the District Manager? Chairman Wessels replied that over the course of the last 11 years she has had half a dozen employees approach her about this issue. She has always told them that they needed to follow the chain of command but if they were not satisfied, they could go before the Board of Directors. She acknowledged that she had been remiss in giving this direction since the Personnel Handbook revision in January of 2006, but that staff had not pointed out that change to her. She noted that in Director Chacey's absence, her written statement supported grievances being heard by the Board and supported that language being incorporated into the policy. Director Hartvigsen expressed his feeling that the District's attorney was providing inconsistent recommendations and that he did not want to usurp the role of the District Manager. He stated that at the Forest Service, grievances can be heard by an internal arbitration group. Director Slavinski added to this, saying that the Board did not know enough about day-to-day operations to make a good decision. Chairman Wessels expressed that she thought it would decrease the agency's exposure to lawsuits. Director Huff opined that if the Board didn't side with the Manager, they should fire the Manager, to which Chairman Wessels responded it seemed harsh to go to that

extreme. By consensus of the majority of the Board, it was agreed to direct staff to remove inconsistent language in the Drug-Free Workplace and Impairment Testing Policy and make it consistent overall with standard special district policy, which is that the decision of the District Manager is final. A motion was made by Director Slavinski and seconded by Director Hartvigsen to change the first line of the grievance section to include the verbiage “any current employee.” The motion passed unanimously.

The Directors discussed the medical marijuana issue. Linda Alexander had suggested that additional language may be appropriate. Shellie Tressler opined that the District is subject to federal transportation laws for CDL drivers and that an acknowledgement of state law regarding medical marijuana would not affect the District’s policy or actions because the District is acting in accordance with federal law which would be more restrictive than state law. Chairman Wessels pointed out that the language applies to all employees, not just those holding a CDL. A motion was made by Director Hartvigsen and seconded by Director Huff to approve incorporating the medical marijuana language recommended and provided by the PAWSD attorneys. The motion passed unanimously.

The Directors discussed parental involvement and the K-12 Act. Carrie Weiss pointed out that historically staff has been allowed to take time off for any reason, provided they have the compensation time banked. She noted that since there was a great deal of flexibility already built into the District’s practices of allowing time off for parenting needs or school related activities she didn’t feel additional K-12 Act language was necessary. A motion was made by Director Hartvigsen and seconded by Director Huff to not include additional language regarding the Colorado K-12 Act. The motion passed unanimously.

The Board discussed a petition by field staff to request that the Board reinstate the use of the shop for personal use. Ms. Weiss recapped the basis of the decision to suspend this use, stating that although it has been a privilege since the formation of the District, there have been abuses and the Personnel Committee had recommended to discontinue the privilege. She noted that it was also a liability issue for the District. Director Huff asked what affect the suspension of this privilege had on staff morale, to which Ms. Weiss responded that the morale of some employees is low because of the suspension. Following a discussion of the liability issue, a motion was made by Director Huff and seconded by Director Hartvigsen to deny the reinstatement of use of the shop for personal use by the employees. The motion passed unanimously.

2009 Connections Report

Carrie Weiss noted that there was a correction to the 2009 report, stating that 24 connections worth 42 Equivalent Units had been completed in 2009. Of these connections, 19 were single family, 4 were multi-family and 1 was for irrigation. She reported that as of a month ago there were 171 accounts (230 EUs) available for connection (that haven’t yet been built upon) that were not subject to the Water Resource Fee and that had paid the minimum Capital Investment Fee.

Public Outreach

Sheila Berger provided the Directors with a report on recent and upcoming public outreach activities. She noted that EPA’s Fix a Leak Week was March 15-21st, and she had sent a press release out regarding this. She said that she and Conservation Coordinator Mat deGraaf would

be on KWUF 1400 am at 8:05 Monday the 15th to talk about Fix a Leak Week and the water conservation program, which would be followed Monday evening by a free screening of “Blue Gold” at the Liberty Theater. She invited everyone in the audience to attend, noting that it was co-sponsored by the Southwest Organization for Sustainability and Pagosa Brewing Company with all profits going to the Farmer’s Market this summer. Ms. Berger noted that the commercial water audit plumbing retrofits were beginning to take place, and that she had submitted a second press release regarding that initiative. She informed the Board that another e-newsletter had gone out last week, that website updates were on-going, and reminded them that they were hosting the Colorado Federation for Water Education on June 11, 2010. She also told the Directors she was working with the library to create some programming in concert with their summer reading program, the theme of which is “Water Your Mind – Read.” Carrie Weiss noted that because the Colorado Water Conservation Board viewed the District as one of the most proactive, it has sought us out to assist with its Drought Management and Water Conservation planning.

Other Business

Gene Tautges mentioned that staff was planning a visit with the District engineer and possibly one Board member to some of the biosolid beneficial use facilities already in operation in other parts of the west. He also reported that work on I&I reduction is looking very favorable for the upcoming run-off.

Chairman Wessels opened a discussion of the letter from the Board of County Commissioners (BoCC). She reported that earlier that morning, the BoCC had held a special meeting to approve sending a letter to the District requesting an annual report. She stated that she and District Manager Carrie Weiss had attended the meeting. She stated that they had pointed out that the BoCC could have just picked up the phone and made their request, and she had asked why did the BoCC accuse PAWSD of criticizing people who requested information when this was blatantly untrue. Chairman Wessels expressed that she found it hard to believe that one person (Al Bledsoe) without a background in Special Districts could disseminate all the information from six different consulting firms, and claim to know more. She expressed her incredulity that the BoCC is not asking him to summarize his findings in any kind of written report.

Chairman Wessels further explained the background on the Board to Board meeting that never took place. She stated that in emails and phone conversations with Commissioner Moomaw, he refused to accept the District’s invitation to a casual Board to Board meeting. She asserted for the record that the District has never refused to provide information upon request from the County and has never refused to meet with the County. She stated that Commissioner Moomaw had gone ahead and booked the Pagosa Lakes Clubhouse without consent of the Board. Ms. Wessels went on to say that following this, she had a conversation with Commissioner Lucero upon his appointment as Board Chairman. She had expressed to him that the PAWSD Board didn’t feel the need to have a meeting in a large venue, that they did not feel it was appropriate to have a large venue for what they had hoped would have been a friendly conversation. At this point, Chairman Wessels indicated to the audience and noted that the 6 people there were the largest group of attendees in months. She reiterated her feeling of: why spend taxpayers’ money to rent a place when the PAWSD meeting room was adequate to service the need of asking the BoCC what they wanted from the District? Chairman Wessels went on to note that, “Our infrastructure is good, we incessantly uphold our mission

statement, we have brought in millions to this community, we have low staff turnover, we are way ahead of other agencies in regard to planning for future needs, we accommodate the public, our financial house is in order and we have great staff.” She stated that the District is scratching its head and wondering why this is going on? She further wondered why, if the court will decide on the District’s growth projections, does the County feel like it needs to also put us on trial? Carrie Weiss added concern that it was probably not possible to provide all of the information that the County is requesting by their April 30, 2010 deadline.

Steve Van Horn read a portion of the BoCC letter and stated that if the accusations in the letter are a fabrication by the County, that is pretty serious. Chairman Wessels and Director Huff both declared that they were totally false. Director Huff went on to reiterate the statement he had made at the February 9, 2010 meeting, recorded in the approved minutes. He had hoped that the Boards could sit down and talk but not in a public circus as it would be impossible to have a meaningful discussion. He stated that what the PAWSD Board wanted and what the County wanted were two different meetings, that it was apparent the County wanted some sort of public trial. He further stated that it was inconsistent to think large about growing the economy but to think small about water. He expressed that he was very upset by the letter and did not want staff’s time to be consumed by playing political theater with the BoCC. He stated that he would like to refer the matter to the attorneys and follow their guidance. If the BoCC really believes that PAWSD is detrimental to this County then they can start the process to dissolve as that is how the democratic process works. Chairman Wessels pointed out that the outcome of this letter will be to cost the taxpayers a lot of money. Mr. Van Horn expressed that no one comes to the PAWSD meetings because they feel like there is no point because the Board does not listen to the public.

Lee Vorhies stated that he is talking to a lot of people while campaigning and the general perception is that this is one of the most arrogant Boards and that there are way more Executive Sessions than any other Board. He stated that there is agreement that we need to plan for more water. He suggested holding a public forum and letting people vent because that would increase the Board’s credibility. He stated that most people do not feel like they are being represented. He stated there has been a real lack of communication in the right forum.

Director Huff replied to Mr. Vorhies that he was talking about two different meetings – one, a public forum and two, an informal but still public discussion with the BoCC. Director Huff reiterated and expanded on points from his February 9, 2010 statement: 1. The PAWSD Board is taking a long-range (decades long) view and is not going back and forth in reaction to economic ups and downs; 2. For every dollar the District collects from growth, that is one less dollar the District must collect from service charges; 3. The District has a 40-year Capital Plan and if the money to finance the Dry Gulch Project is not available from Water Resource Fees, funds may be used from those allocated towards some of the 40-year capital plan improvements projects; 4. The District has adequate unrestricted reserves – several million in reserves; 5. The PAWSD underwriters are not in the business of issuing junk bonds. Gene Tautges added, regarding the District’s impact on the local economy, that PAWSD is 30 days away from beginning \$12-13 million in capital improvement projects.

Chuck McGuire said that he had attended almost every Board meeting over the past 4 ½ years and that on the vast majority of occasions he was the only public in attendance. He stated that the only time the room is full is when the discussion is perceived to affect the attendees’

interests. He stated that as a taxpayer, he doesn't want to pick up the burden of paying for a water storage project that has been determined by more entities than just PAWSD to be required in the future. Carrie Weiss stated that there is much information in the letter that is blatantly wrong. She suggested that staff work with District attorneys to address the requests in the letter. She expressed her frustration that this will require a significant amount of time and money. Roy Vega stated that if he was sitting on the Board, he would pay attention to the perception issue mentioned by Mr. Vorhies. Chairman Wessels responded that the District has had every meeting and program imaginable, including personal invitations to the County representatives, but cannot force people to read or attend. She wondered aloud what would be "the magic meeting" to which people come? Lisa Reeve stated that it is important to have a public forum, that it would show that the Board cares. She asked that the Board take the opportunity to be out there and honest and show the public and the BoCC that it has nothing to hide.

Director Slavinski announced that he would be out for at least the next two weeks.

There being no further business to come before the Board, the meeting was adjourned at 9:26 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer

PAGOSA AREA WATER AND SANITATION DISTRICT)
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ARCHULETA COUNTY) S.S.
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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, March 15, 2010, at 3:00 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 are expected to enter into executive session for the purposes of conferences with legal counsel for receiving legal advice on litigation and discussing 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), 24-6-402(4)(b), 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. General Discussion on Water Rights
3. Southwest Land Alliance - Status Report and Consideration of Amended Conservation Easement Transaction Fee Agreement
4. Consideration of Amended Intergovernmental Agreement Concerning the Dry Gulch Project Between the Pagosa Area Water and Sanitation District and San Juan Water Conservancy District
5. Discussion of San Juan River Protection Work Group
6. Discussion of CWCB Funding/Population Projections
7. Discussion of Proposed Amendments 60 and 61 and Proposition 101
8. Executive Session Pursuant to Sections as Described Above
9. Return to Open Session
10. 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
MARCH 15, 2010

Attendance

The following Directors were present:

Representing SJWCD: Ernie Amos, Carrie Weiss, Fred Ebeling, Karen Wessels, Pat Ullrich and Jack DeLange;

Representing PAWSD: Karen Wessels, Steve Hartvigsen and Bob Huff.

Also present were Evan Ela, Steve Harris, Sheila Berger, Michelle Tressler, Jodi Blankenship, Chuck McGuire, Allan Bunch, Pete Kasper and Mat deGraaf.

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 Ernie Amos at 3:15 p.m., Monday, March 15, 2010. On behalf of the SJWCD, a motion was made by Director Weiss and seconded by Director DeLange to excuse Directors Harold Slavinski, Diane Bower, Mark Garcia and Windsor Chacey who had called and indicated they were unable to attend. The motion passed unanimously. On behalf of the PAWSD Board, a motion was made by Director Hartvigsen and seconded by Director Huff to excuse Directors Windsor Chacey and Harold Slavinski. 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. Chairman Karen Wessels had previously submitted a Disclosure as a Board of Director for the San Juan Water Conservancy District, the Pagosa Area Water and Sanitation District and as owner of Alpha Engineering, where one might perceive a conflict could arise. Harold Slavinski had previously submitted a Disclosure as a Board of Director for the District and a member of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

General Discussion on Water Rights

District attorney Evan Ela gave the Boards and the audience an in-depth presentation on water rights, in general, and PAWSD and SJWCD water rights, specifically.

Specific Discussion:

Mr. Ela used a watershed map to explain the connection between watershed contribution (total quantity of water available) and water rights (total amount of use claimed). He stated that this connection illustrates the wisdom of planning the Dry Gulch reservoir in a large watershed.

Specific District Rights – Mr. Ela provided the Boards with a list of the water rights owned by each District that included the status of each right (absolute vs. conditional, adjudication and appropriation dates, next diligence date). He spoke about the West Fork of the San Juan at the Snowball Treatment Plant intake and the West Fork Reservoir right, the latter for which diligence is coming up in April 2011. Regarding the Dry Gulch water rights application, Mr. Ela stated that the remand trial date remains unknown. He had not yet heard from Judge Lyman about setting a status conference with him and Drew Peternell, attorney for Trout Unlimited. Director Huff asked Mr. Ela to verify the security of the SJWCD's 6,300 AF Dry Gulch reservoir storage right. Mr. Ela stated that this right will not be fully secure until the reservoir is filled to 6,300 AF with this right, but that both Districts have performed strong due diligence towards perfecting this conditional water right. Mr. Ela went over the PAWSD rights on the mainstem of the San Juan River at the San Juan River Intake, explaining the history on those rights and pointing out that the adjudicated water right amount does not mean that this amount can be diverted all year long.

Southwest Land Alliance – Status Report and Consideration of Amended Conservation Easement Transaction Fee Agreement

Director Hartvigsen directed the Boards' attention to a status memo from Michael Whiting of the Southwest Land Alliance (SLA). He stated that he and Chairman Amos had met with the Lavertys and he felt a draft conservation easement deed could be in place soon. Chairman Amos suggested that after the Lavertys are satisfied with the deed, he and Director Hartvigsen will sit down and negotiate any final terms, then get it to the District Board and attorneys for final approval. He stated that they are still looking at the phasing of the two easements, with the first easement to incorporate a bit more land than up to the 7410' contour. Director Ebeling asked if the Lavertys are still unwilling to sell the future inundated portion of the property, and stated his feeling that the Districts should not be funding the conservation easement work. Director Hartvigsen replied that he felt they were "in a bit of a spot" because the Lavertys do not want to sell until they know what the Districts are allowed by Water Court to build. Evan Ela stated that if the SLA holds the easement then we will have a partner in the reservoir. Director Ebeling opined that the Districts should not place an easement that restricts the actions

of future Boards, to which Chairman Amos responded that if we do not do this now, then the future Boards might be restricted by land full of condos. He further clarified that the direction from the Boards has been to secure the land to hold 35,000 acre feet in whichever manner possible in order to assure the land is available when it is needed in the future.

Mr. Ela asked if the District was planning to purchase the easement from the Lavertys, stating that if the land will be inundated the value of a conservation easement would be of similar value as fee title. He suggested that since the Districts are paying for the easement, they should put language in the deed that the easement will convert to District fee title ownership once the water line is known, otherwise there will always be a third party in the reservoir and the District will have to buy the land twice to buy out that third party. He stated his reservations about having a third party in the project as it could potentially add future complications. Shellie Tressler pointed out that PAWSD has authorization from the Colorado Water Conservation Board (CWCB) for up to a certain amount of funding at a very low interest rate for the Laverty property purchase.

Director Weiss reported that the CWCB does not consider securing the land by an easement versus fee title constitutes a material change to the loan terms that would require an amendment. She questioned the acreage reflected in Mr. Whiting's memo and asked Steve Harris to verify the correct number. Chairman Amos explained that the acreage difference may be due to putting more land than up to the 7410' contour under Phase 1 easement, to which Director Weiss reminded the Directors that the Districts have already paid to survey to the 7410' contour.

Chuck McGuire asked for clarification on Mr. Ela's concern about SLA holding the conservation easement. Mr. Ela replied that the SLA as owner of the easement would be charged with enforcing the easement qualities and terms. This is not an issue as long as the deed language foresees all potential future situations but if it does not, the future SLA Board could have issues with the reservoir that would constrain the Districts' operations. He cautioned that the Districts need to look out for their interests.

Consideration of Amended Intergovernmental Agreement Concerning the Dry Gulch Project Between the Pagosa Area Water and Sanitation District and the San Juan Water Conservancy District

Director Weiss provided the Directors with background and reasons for amending the IGA. Currently the IGA reads generally that the two Districts will split project costs. Since it has been determined that the SJWCD will commit to \$10,027,000 million in environmental accommodations costs, the IGA should reflect that. Shellie Tressler added that since the environmental accommodations component had been split out, other costs had come to the Districts which they had agreed to share such as the costs to prepare for the water rights remand trial and on-going costs related to the Southwest Land Alliance and Laverty Agreement. Chairman Amos requested that flexibility be built in to the language of the amended IGA. Mr. Ela confirmed that the Boards will have a draft amended IGA to consider at their April meeting.

Discussion of San Juan River Protection Workgroup

Director Weiss provided background for this initiative. She stated that the US Forest Service is considering the suitability of Wild and Scenic River designation for the West and East Forks of

the San Juan River in their Forest Plan. She stated that the Districts' concerns have been voiced about the affect of WSR designation on the Snowball intake structure and development of water rights. She encouraged that a letter from both Boards be sent to the San Juan River Protection Workgroup steering committee. By consensus the Directors directed staff to draft such a letter from each Board.

Discussion of CWCB Funding/Population Projections

Director Weiss reported on a conversation she and Sheila Berger had with Kirk Russell of the CWCB. She reported that he had stated that the PAWSD's acquisition of Lavery property through a conservation easement, versus a fee title purchase, did not constitute a material change to the loan terms, nor did acquiring the Lavery property as two parcels rather than one, even if collectively the two parcels constituted more or less property than was originally estimated to be purchased. She stated that Mr. Russell had indicated that use of proceeds from the sale of land (Weber) originally purchased by loan funds to buy land needed for the reservoir but not identified in the loan contract would probably need to be taken to the CWCB Board for consideration and would probably constitute a material change.

Director Weiss reported that, as facilitated by the Districts, on March 10, a representative from the CWCB (Greg Johnson) and the State Demographer's Office (Elizabeth Garner) were here for a meeting with the County and the Town and District staff. She noted that no one from the Town was in attendance. She stated that the Districts had been struggling for some time to get the point across about the difference between using permanent population and transient population in water planning, but that this difference has been recognized by the CWCB. She noted that a similar presentation was given to the SW Basins Roundtable later in the afternoon and that following discussion the Roundtable had agreed to consider a letter to the CWCB about recognizing the effect of transient population to growth and demand projections. Audience member Allan Bunch, who had attended the earlier SDO presentation, added that Ms. Garner had admitted that the SDO does not track its historical accuracy of population projections.

Discussion of Proposed Amendments 60 and 61 and Proposition 101

Directors were provided a memo and information from The Bell Policy Center and counsel regarding these November state ballot initiatives. Director Weiss suggested that later this summer both Districts should consider a resolution of opposition because of the detrimental ramifications they would have to governing entities.

Executive Session

On behalf of the SJWCD Board, a motion was made by Director Ebeling and seconded by Director DeLange to enter into Executive Session at 6:38 p.m. for the purposes of conferences with legal counsel for receiving legal advice on litigation and discussing 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), 24-6-402(4)(b), and 24-6-402(4)(e), C.R.S. The motion carried. On behalf of the PAWSD Board, a motion was made by Director Wessels and seconded by Director Hartvigsen for the above stated purposes. The motion carried.

The Directors returned to open session at 8:06 p.m.

Other Business

The Directors discussed the date and time for the next joint meeting. The joint meeting was set for April 12, 2010 at 3:30 p.m., following the regular meeting of the SJWCD which would be rescheduled from 9:00 a.m. to begin at 3:00 p.m.

There being no further business to come before the joint Boards, the meeting adjourned at 8:07 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer, PAWSD

Jack B. DeLange
Secretary, SJWCD

SAN JUAN WATER CONSERVANCY 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 San Juan Water Conservancy District has been scheduled for Monday, April 12, 2010, at 3:30 p.m. The primary purpose of this meeting is for discussions with the Board of Directors of the Pagosa Area Water and Sanitation District on water matters and the development of raw water projects. The Boards of Directors are expected to enter into executive session for the purposes of discussing 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 100 Lyn Avenue, Pagosa Springs, Colorado.

Proposed Agenda is as follows:

1. Call to Order
2. Southwest Land Alliance – Status Report and Consideration of Amended Conservation Easement Transaction Fee Agreement
3. Consideration of Amended Intergovernmental Agreement Concerning the Dry Gulch Project Between the Pagosa Area Water and Sanitation District and San Juan Water Conservancy District
4. Discussion of San Juan River Protection Work Group
5. Discussion of CWCB Loan Contract and Other Funding Requests
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.

SAN JUAN WATER CONSERVANCY 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
April 12, 2010

Attendance

The following Directors were present:

Representing SJWCD: Ernie Amos, Carrie Weiss, Harold Slavinski, Karen Wessels, Pat Ullrich, Jack DeLange, Windsor Chacey and Diane Bower;

Representing PAWSD: Karen Wessels, Harold Slavinski, Steve Hartvigsen, Windsor Chacey and Bob Huff.

Also present were Sheila Berger, Michelle Tressler, Jodie Blankenship, Chuck McGuire, Allan Bunch, Pete Kasper and Roy Vega.

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 Ernie Amos at 3:59 p.m., Monday, April 12, 2010. On behalf of the SJWCD, a motion was made by Director Weiss and seconded by Director Wessels to excuse Director Mark Garcia who had called and indicated he 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. Chairman Karen Wessels had previously submitted a Disclosure as a Board of Director for the San Juan Water Conservancy District, the Pagosa Area Water and Sanitation District and as owner of Alpha Engineering, where one might perceive a conflict could arise. Harold Slavinski had previously submitted a Disclosure as a Board of Director for the District and a member of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Southwest Land Alliance – Status Report and Consideration of Amended Conservation Easement Transaction Fee Agreement

Director Weiss stated there was nothing new to report; she had requested a status report and draft amended agreement from Michael Whiting of the Southwest Land Alliance (SLA) but nothing had been provided. Chairman Amos and Director Hartvigsen stated they had nothing

new to report on negotiations with the Lavertys. Chairman Amos and Chairman Wessels said they would give Mr. Whiting a personal call to request the amended agreement. Director Weiss pointed out that Mr. Whiting's Letter to the Editor in the Pagosa SUN expressed the untrue statement that the Districts had considered eminent domain as a way to acquire the Laverty property. She stated for the record that it was never an intent of the Districts to ever pursue condemnation of this property. Chairman Amos and Chairman Wessels offered to ask Mr. Whiting for a retraction or correction of this misstatement when they contact him.

Consideration of Amended Intergovernmental Agreement Concerning the Dry Gulch Project Between the Pagosa Area Water and Sanitation District and the San Juan Water Conservancy District

Director Weiss noted a slight correction on the SJWCD agreement. Director Hartvigsen requested a clarification and correction to paragraph 2(e). Further corrections were suggested by Director DeLange. Following this discussion, on behalf of the SJWCD, a motion was made by Director DeLange and seconded by Director Chacey to accept and sign the amended intergovernmental agreement as corrected. The motion passed unanimously. On behalf of the PAWSD, a motion was made by Director Hartvigsen and seconded by Director Huff to accept and sign the amended intergovernmental agreement as corrected. The motion passed unanimously.

Discussion of San Juan River Protection Workgroup

Director Weiss provided background for this initiative and an overview of the workgroup's purpose, which is to work towards a consensus on management tools that would protect the values of the East and West Forks of the San Juan River. She stated that there was some reason for concern for a Wild and Scenic Designation on the West Fork, because the intake to the Snowball Water Treatment Plant is located there and both Districts hold undeveloped water rights on the West Fork. She stated that letters formally documenting the Districts' concerns had been sent to the Work Group Steering Committee, but that facilitator Marsha Porter-Norton did not deem these letters as necessary to distribute to the entire work group at this time, but to do so at a subsequent meeting in coming months.

Discussion of CWCB Loan Contract and Other Funding Requests

Director Weiss provided a letter, copy attached, from Mr. Kirk Russell of the CWCB documenting their position with regard to the Laverty land acquisition and what might constitute a potential material changes from the loan agreement. The position of the CWCB is that acquiring the property under a conservation easement and acquiring the property in more than one parcel do not constitute material changes that would require an amendment to the agreement. The Directors suggested contacting Mr. Russell and changing the verbiage in the letter clarifying that purchasing the property in more than one parcel, whether through fee title or through a conservation easement, did not constitute a material change.

Executive Session

On behalf of the SJWCD Board, a motion was made by Director Slavinski and seconded by Director Chacey to enter into Executive Session at 4:40 p.m. for the purposes of discussing 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 motion carried. On behalf of the PAWSD Board, a motion was made

PAGOSA AREA WATER AND SANITATION DISTRICT

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

SEAL

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
APRIL 13, 2010 REGULAR MEETING

Attendance

The following Directors were present: Karen Wessels, Steve Hartvigsen, Windsor Chacey, Harold Slavinski and Bob Huff. Also in attendance were: Carrie Weiss, Gene Tautges, Sheila Berger, Michelle Tressler, Chuck McGuire, Allan Bunch, and Roy Vega.

Disclosure of Potential Conflicts of Interest

Carrie Weiss had previously reported that she had filed a Disclosure of Conflict of Interest 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 a Board of Director for the District, as a member of the Board of Directors of the San Juan Water Conservancy District, and as owner of Alpha Engineering, where one might perceive a conflict could arise. Harold Slavinski and Windsor Chacey had previously submitted a Disclosure as a Board of Director for the District and as members of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Call to Order

The Regular Meeting of the Pagosa Area Water and Sanitation District was called to order by Chairman Karen Wessels at 6:30 p.m. on April 13, 2010.

Approval of Consent Agenda

The minutes from the March 9, 2010 Regular Meeting and March 15, 2010 Special Joint Meeting with the San Juan Water Conservancy District, as well as other items from the Consent Agenda, were reviewed. Chairman Wessels noted a couple minor corrections to the regular meeting minutes. Carrie Weiss reported that Stevens Reservoir was 3 feet from spilling, but that it would need to be lowered prior to the final wetlands plantings. A motion was made by Director Huff and seconded by Director Hartvigsen to approve the items on the consent agenda and the minutes as corrected. The motion passed unanimously.

Public Comment

Chairman Wessels asked if there were any public comments. None were offered.

Update on Agreements with CDOT and Weber Family Related to Jackson Mountain Slide Area

1. Letter of Intent with CDOT: Gene Tautges reported that CDOT remains adamant that they want the District to guarantee the quantity and size of rock. Staff does not want the District put in that position. He clarified that CDOT would haul from the Dry Gulch staging site. He noted that Triad's contract extends 10 miles from the Highlands Project such that there may be an additional cost to haul beyond the 10 mile radius to the Dry Gulch site, but if Weber is backhauling that might not be an issue. He further stated that if CDOT does not want the rock, the District will be able to use it on future projects.
2. Memorandum of Understanding (MOU) with Running Iron Ranch and the Weber Family: Gene Tautges reported that the MOU remains unsigned because the Webers wanted to insert additional language related to reclamation activities. A motion was made by Director Hartvigsen and seconded by Director Huff to approve the additional language. The motion passed unanimously.

Discussion of Demand from Archuleta County Board of County Commissioners for Annual Report

Carrie Weiss reminded the Directors that at the March 8 BOCC meeting, she and Chairman Wessels had expressed that it would be greatly difficult to meet their April 30 deadline for the report. She stated that although it is still greatly difficult, the staff is striving to furnish the report to the County by April 30. She stated that the Directors should anticipate a report for consideration of approval at their Special April 26, 2010 Meeting. She clarified that the attorneys are assisting and have made a commitment to meet that timeframe. Director Chacey asked if other local Special Districts are under similar pressure from the County to produce an annual report, to which Mrs. Weiss replied that she was unsure. Chairman Wessels stated that the San Juan Water Conservancy District is organized under different statutes and therefore is not subject to this reporting requirement.

Consideration of Revisions to District Rules and Regulations

The Directors discussed the revisions to the District Rules and Regulations. Carrie Weiss noted that because the Board had discussed these at their March meeting, the redlined document before them reflected only changes made since that meeting. She pointed out some small changes that had been made and suggested further revisions to Definition 2.45 in order to address areas that for various reasons presently do not, and perhaps will never, meet Operating Standards as it relates to the Upgrade List. Also the current Schedule of Fees and Charges will be incorporated. She confirmed that this document had been subject to comprehensive and intensive legal review. Chuck McGuire, referring to the on-going airport water service situation, asked if there were any federal or state rules requiring bringing all areas up to operating standards, to which Mrs. Weiss replied that she was not away of any regulations of this type. A motion was made by Director Hartvigsen and seconded by Director Chacey to adopt the resolution amending the PAWSD Rules and Regulations with corrections as noted and direction to revise the aforementioned section on Operating Standards with counsel review. The motion passed unanimously.

Consideration of District Personnel Policy/Handbook

The Directors discussed the revisions to the District Personnel Policy/Handbook. The issue of medical marijuana usage was discussed. Shellie Tressler stated that language had been drafted by the attorneys specifically to address this issue. The Board directed staff to strike the section

regarding the Personal Day, as this section is no longer relevant given their decision made last August, 2009 eliminating this as an employee benefit. Further changes were suggested to clarify the Discipline - Grievance section. A motion was made by Director Hartvigsen and seconded by Director Chacey to approve the revised District Personnel Policy/Handbook, subject to the changes as discussed. The motion passed unanimously.

Discussion of District Strategic Plan

Sheila Berger presented the Directors with a draft document, explaining that it was close in form to what the final document would look like, and requesting that the Directors deliver their comments to her by Monday, April 19 in order that they could be incorporated into the final document that would be on their agenda for consideration on April 26, 2010. She stated that although the document was not finalized, some pressing issues had already emerged from the process that were already being focused upon, primarily personnel-related internal communication issues. Shellie Tressler reported that staff had begun developing a Board Code of Conduct document based on the Kansas Water Board Bible, a draft of which she provided to the Directors. She also requested comments back by April 19, 2010.

Consideration of Renewal of Health Insurance Plan with CEBT

Shellie Tressler provided the Directors with an overview of the health insurance changes that the Board had made last year based upon recommendations of the Personnel Committee. She stated that the employees have had a year's advance notice of these changes which would go into effect July 1, 2010. She further reminded the Directors that they had authorized an employee Flexible Spending Account and Enhanced Wellness Benefit which went into effect January 1, 2010 and was being widely used. Carrie Weiss reported that the Pagosa Fire Protection District had declined allowing use of its gym facilities. A motion was made by Director Huff and seconded by Director Slavinski to approve the renewal of the health insurance plan with Colorado Employee Benefit Trust (CEBT). The motion passed unanimously.

Public Outreach

Sheila Berger provided the Directors with a report on recent and upcoming public outreach activities. She gave an overview of activities planned to support the library's summer reading program which begins June 7. She provided them with other dates for upcoming public education events in which staff will be participating: the Earth Day event at the Community Center on April 24, the Children's Water Festival in Durango on May 5, the Home and Garden Show at the High School May 15-16, and the Colorado Federation for Water Education tour on June 11. She noted that the District continued to be on KWUF 1400 am the third Monday morning of each month, and that the spring newsletter was planned to go out with the early May billing statements but given huge time constraints created by the County's demand for an Annual Report April 30 deadline, she couldn't promise that it would be ready. Shellie Tressler added an update on the commercial water auditing program, stating that initial reports should be prepared by mid-May.

Other Business

Carrie Weiss provided the Directors with suggested clarifying a minor language revision from the attorney on the intergovernmental agreement with the San Juan Water Conservancy District, specifically the notification process to counsel. A motion was made by Director

5. Any Other Business Brought Before the Board Will Be Duly Considered.
6. Adjourn to Work Session

PAGOSA AREA WATER AND SANITATION DISTRICT

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

SEAL

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
APRIL 26, 2010 SPECIAL MEETING

Attendance

The following Directors were present: Karen Wessels, Steve Hartvigsen, Windsor Chacey, Harold Slavinski and Bob Huff. Also in attendance were: Carrie Weiss, Gene Tautges, Sheila Berger, Art Holloman, Michelle Tressler, Randi Pierce, Jodie Blankenship, Allan Bunch, and Roy Vega.

Disclosure of Potential Conflicts of Interest

Carrie Weiss had previously reported that she had filed a Disclosure of Conflict of Interest 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 a Board of Director for the District, as a member of the Board of Directors of the San Juan Water Conservancy District, and as owner of Alpha Engineering, where one might perceive a conflict could arise. Harold Slavinski and Windsor Chacey had previously submitted a Disclosure as a Board of Director for the District and as members of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Call to Order

The Special Meeting of the Pagosa Area Water and Sanitation District was called to order by Chairman Karen Wessels at 4:03 p.m. on April 26, 2010.

Consideration of District's Strategic Plan

Sheila Berger provided the Directors with an overview of the Strategic Planning process and the final document, explaining that the second round of all-staff comments had been incorporated as well as comments from the Board since the April 13 Special Meeting. Director Chacey expressed that the Plan was an extremely valuable future planning tool, particularly as it focuses on the development of alternative energy and efficiency measures. Ms. Berger pointed to the final page which illustrated the timeline for implementing action steps in the Plan, stating that the staff will be quite busy in the next several months. She elaborated on the level of involvement of all staff in the Strategic Planning process, particularly regarding

suggestions for action steps to resolve issues of internal communication and technical systems optimization. Director Hartvigsen suggested a wording change to Objective 1.2.

Following this discussion, the Directors turned their attention to a revised District organization chart, one of the first outcomes of the Strategic Plan. Shellie Tressler explained that it incorporated many of the staff suggestions regarding optimization of personnel systems and improved internal communication as well as incorporating succession planning and identifying training needs. She noted that this is a living document, like the Strategic Plan, and subject to change over time, but that staff had given it a lot of thought and was not only looking at existing staffing but looking forward to future District needs. Director Huff asked how quickly the seven “future” positions as noted on the organization chart were expected to be filed, to which Ms. Tressler replied over the next five years. Director Chacey pointed out that PAWSD personnel do a lot of work with a minimum amount of people.

Following the organization chart discussion, Ms. Tressler directed the Board’s attention to the Board of Directors’ Code of Conduct, another outgrowth of the Strategic Plan. She pointed out a couple changes that had been made since the April 13 Regular Board Meeting and explained that if something is already specifically addressed in the District By-Laws or another overriding document, it was not included in the Code of Conduct. A motion was made by Director Chacey and seconded by Director Huff to approve the Strategic Plan with the change suggested by Director Hartvigsen, the organization chart and the Code of Conduct. The motion passed unanimously.

Carrie Weiss requested that the Board give her the authority to make salary adjustments to the modified positions where they involved increased duties, these changes to be considered at mid-year evaluations. Director Huff requested that the modifications, if made, were done within the approved salary ranges, to which Mrs. Weiss confirmed that the adjustments would be between 5-8% and that adjustments would not be applicable to all modified positions, only those with a significantly higher level of responsibility, and that she would provide the Board with an update in June during the mid-year evaluation process. She affirmed that any increases would be within budgeted parameters. A motion was made by Director Hartvigsen and seconded by Director Huff to give the District Manager the authority to make salary modifications. The motion passed unanimously.

Consideration of District’s Annual Report

Carrie Weiss provided the Board with an overview of the final Annual Report to the County. She stressed that much staff and attorney time, effort, and expense had been put into responding to the County’s additional 25 requests outside of a typical annual report, the total staff time being 156.5 hours and total legal time being 52 hours. Pointing to the three binders of exhibits she stated that much of the 600-plus pages of supporting documentation had already been provided to the County in their preceding other seven requests for information. She reported that a letter had been sent to the County last week indicating that PAWSD would be providing the report prior to their April 30, 2010 deadline and that we would be ready to present the report publicly at their May 4 regular meeting. She said that the County had responded that they would need more time than that to read through the report and prepare for our presentation. Mrs. Weiss informed the Board that the report would be provided to the County the following day, and that the Directors would be advised once the BoCC notifies us of a time and date to present it. Shellie Tressler stated that doing this report has made us a

better organization, hopefully perceived as less defensive and more open and sharing. She opined that this document would be a basis to begin a new attitude of sharing and community involvement. Director Chacey commended the work. Mrs. Weiss pointed out that in the County's initial March 8, 2010 letter demanding this report and additional responses, the original District Service Plan was continually called into question as a basis to attack the validity of our work and planning 33 years later. Director Huff pointed out that the community of Parker, CO is building a new reservoir and although a general obligation bond was approved, so far it had been paid for entirely by growth fees. He went on to say that what the Board has done regarding Dry Gulch planning is to establish the location and purchase some of the property so that future Boards can have the opportunity to build the size of reservoir the community desires at that time.

Sheila Berger went over the redline changes in the report. Ms. Tressler pointed out that the report followed a template provided by the Colorado State Auditor's office and that future reports would be much smaller in size. The Board discussed the wording of the cover letter, also included in the final paragraph of the report. Ms. Berger presented the Board with a proposal for the Dry Gulch Community Work Group, stating that the details would be formulated in the next week prior to the May Board meeting. Director Huff suggested that the four main decisions that would be required from the work group would be: 1. Should PAWSD be planning for storage? 2. Should the storage be at the Dry Gulch site? 3. How much storage should PAWSD plan for? 4. How should the project be paid for?

Following discussion of the Annual Report, cover letter and Dry Gulch Community Work Group, a motion was made by Director Huff and seconded by Director Slavinski to approve the Annual Report and accompanying cover letter with changes as noted, and to direct staff to continue to proceed with developing the Dry Gulch Community Work Group as proposed. The motion passed unanimously.

Consideration of Resolution Supporting Proposal to Bureau of Reclamation WaterSMART Water and Efficiency Grant Program.

Sheila Berger provided the Board with an overview of a grant proposal to the Bureau of Reclamation (BOR) for approximately \$182,000. These funds would match money that had already been budgeted for 2010 to begin implementing the Water Meter Replacement project. Specifically, the grant, if successful, would allow the District to purchase nearly 1000 more water meters programmable to 10 gallon reading increments which would greatly enhance the leak detection and water loss initiatives that have begun since installation of the Automated Meter Reading technology. A motion was made by Director Slavinski and seconded by Director Hartvigsen to adopt the resolution obligating PAWSD to the required BOR reporting and financial commitments if the WaterSMART grant is received. The motion passed unanimously.

Other Business

There being no further business to come before the Board, the meeting was adjourned at 5:48 p.m.

Respectfully submitted,

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
MAY 11, 2010 REGULAR MEETING

Attendance

The following Directors were present: Steve Hartvigsen, Windsor Chacey, Bob Huff, Allan Bunch and Roy Vega. Also in attendance were: Carrie Weiss, Gene Tautges, Sheila Berger, Art Holloman, Michelle Tressler, Bill Hudson, Jodie Blankenship, Pete Kasper, Michael Whiting, Steve Van Horn, Ernie Amos, Bruce Dryburgh, Marilyn Bunch, Chalyn Fitzgerald, Kathy Vega, Lee Vorhies, Steve Laverty, and Janet Santopietro.

Disclosure of Potential Conflicts of Interest

Carrie Weiss had previously reported that she had filed a Disclosure of Conflict of Interest 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. Windsor Chacey had previously submitted a Disclosure as a Board of Director for the District and as member of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Call to Order

The Regular Meeting of the Pagosa Area Water and Sanitation District was called to order by Chairman *pro temp* Steve Hartvigsen at 6:30 p.m. on May 11, 2010.

Election of Officers and Consideration of Work Session(s)

Director Huff proposed that Director Steve Hartvigsen be named Board Chairman and that Director Windsor Chacey retain her position as Secretary/Treasurer. A motion was made by Director Vega and seconded by Director Bunch to nominate Steve Hartvigsen as Board Chairman and President. The motion passed unanimously.

Following this, a nomination was made by Director Vega for Director Bunch as Vice Chairman and Vice President of the District for the remainder of his term unless he sooner vacates the office and that he be elected by acclamation. Carrie Weiss stated that she believed a Vice Chairman position was not necessary to create. Director Chacey further asked Director Vega to clarify his intent as in the past, all the Directors were *de facto* Vice Presidents, to which Director Vega responded that he did not understand how all Board members could be Vice-Presidents and also that the District Bylaws did not provide for this. He went on to add that there were numerous inconsistencies in the Bylaws and that he would recommend, at some point, that a committee be put together to review and rewrite them. Director Hartvigsen called for a vote on Director Vega's nomination. The nomination failed by a three (Hartvigsen, Chacey, Huff) to two (Vega, Bunch) vote.

Director Huff opined that it would stand the District in good stead to have more experienced Directors as officers until the Bylaws document was reviewed for inconsistencies. Director Bunch nominated Director Vega as Treasurer. There were no other nominations. The motion failed with a three-two vote. Director Chacey requested that she remain as the Secretary and Treasurer, stating that there was competent staff to support her in those roles. Director Vega clarified that he was not calling into question staff competence, but was speaking to the fact

that the Board needs to be as educated as possible, that the District budget was very complicated and he felt the Board and public would be better served if it had one Board member whose job it was to fully understand the budget. Director Huff responded that there is nothing to prevent any Board member from becoming as informed as possible. A discussion of the separation of official duties and the Bylaws ensued. Following this, Director Vega nominated Director Chacey as Secretary. The nomination failed with a three (Hartvigsen, Chacey, Huff) to two (Vega, Bunch) vote.

Director Huff nominated Director Chacey as Secretary/Treasurer for the duration of her term unless she sooner vacates the office. There were no other nominations. The nomination passed with a three (Hartvigsen, Chacey, Huff) to two (Vega, Bunch) vote.

Director Hartvigsen asked that staff review the Bylaws, note inconsistencies and bring these before the Board at their regular June meeting. Director Huff added that staff should consult with the District's attorneys. Ms. Weiss pointed out that these Bylaws had been adopted in August, 2009 after final attorney review. Director Vega stated that he did not want the attorneys to double-bill the District and did not feel it needed to go to attorneys for review but rather it should be reviewed by an ad-hoc committee assembled by the Board. A motion was made by Director Vega and seconded by Director Bunch to commit a study and rewrite of the District Bylaws to a committee composed of one member of the Board and two members of the community. Director Huff expressed that this was an internal document, and Director Chacey further expressed that a re-write of the Bylaws was the sole responsibility of the Board. The motion failed with a three (Hartvigsen, Chacey, Huff) to two (Vega, Bunch) vote.

At this point the discussion was suspended until after the Public Hearing.

Public Hearing on Amended 2009 Budget

Chairman Hartvigsen opened the Public Hearing on the Amended 2009 Budget at 7:00 p.m. Assistant Manager Shellie Tressler presented a second amendment to the 2009 Budget. She explained that the first amendment to the 2009 Budget had been due to paying off the Wells Fargo Bridge loan for the Dry Gulch property in early 2009, which at the time of the 2009 Budget adoption had been anticipated to be paid off in late 2008. She stated that the second amendment was due to receiving invoices in January and February of 2010 for Stevens Reservoir wetlands work and Highlands Lagoon Elimination project work that had occurred in late 2009 due to favorable weather conditions that allowed for further work to continue. The amended budget appropriated additional monies to be expended from the water and wastewater enterprise funds to pay for this late 2009 work. A motion was made by Director Huff and seconded by Director Vega to approve the Amended 2009 Budget. There was no further public comment or Board discussion. The motion passed unanimously. The Public Hearing was closed at 7:05 p.m.

(Continued): Election of Officers and Consideration of Work Session(s)

Director Bunch requested that the Board continue with its discussion of the Vice-President issue. A nomination was made by Director Vega for Director Bunch as Vice-President for the remainder of his term unless he sooner vacates the office. The nomination passed with a unanimous vote.

Approval of Consent Agenda

The minutes from the April 13, 2010 Regular Meeting, the April 12, 2010 Special Joint Meeting with the San Juan Water Conservancy District, and the April 26, 2010 Special Meeting, as well as other items from the Consent Agenda, were reviewed. Director Bunch noted a correction to the Conflict of Interest statements. The Directors discussed the Project Status report. A motion was made by Director Bunch and seconded by Director Huff to accept the Consent Agenda with corrections to the minutes as noted. The motion passed unanimously.

Public Comment

Pete Kasper with the Division of Water Resources introduced himself to the Board of Directors and passed out the current Sno-Tel and San Juan River gauge reports. He noted that snowmelt is approximately a month ahead of normal and that correspondingly, the San Juan River flows are above-average. He stated this early melt was a trend throughout the southwest. He also spoke about the Children's Water Festival that had occurred in Durango on May 5, the Colorado Foundation for Water Education tour that would be hosted by PAWSD and the San Juan Water Conservancy District on June 11, and the San Juan River Protection Work Group effort that was on-going. Finally, he offered his services to go over water rights.

Audience member Bruce Dryburgh requested that the Board shares more information with the audience when discussing documents that the audience does not have a copy of. Bill Hudson asked the three previous Board members to clarify who they ran against in their last election, to which the reply was that because they were unopposed, the election had been canceled.

Consideration of Agreement with CDOT Related to Jackson Mountain Slide Area

Mitigation

Carrie Weiss reported that the Board did not have an agreement to consider at this meeting since it was still undergoing CDOT review and approval.

Consideration of Presentation of Annual Report to the BoCC

The Directors discussed the PAWSD 2009 Annual Report document. Director Vega stated that he reluctantly objected to the draft of the annual report that he felt in his analysis it was materially flawed and not ready for presentation to the Board of County Commissioners. Chairman Hartvigsen clarified that the annual report in final form already had been submitted to the BoCC. Carrie Weiss stated that the intent of this agenda item was not to discuss the report itself, which had been delivered, but rather how the Board felt the report should be presented. She reported that the County had proposed an evening meeting on May 24, 2010, but the time and location had not been confirmed. She asked the Board to consider a presentation by a combination of PAWSD Board members, staff and legal counsel. Chairman Hartvigsen asked to the new Board members that if there were items they could support in the annual report, that they do, and if there are items they cannot support, that they do not speak to these in front of the BoCC as this report was delivered from the previous Board. He cited a section from Robert's Rules which describe that a new Board member should not question a previous Board's decisions in public.

Director Chacey wondered why no concern about the annual report document has been made until now, to which Director Bunch replied that they did not have a copy of the report until after it had been published and delivered to the BoCC, and that this was the first opportunity the new Directors have had to comment. Director Vega suggested that the Board could move to reconsider the April 26, 2010 motion that accepted the report. He stated that he would prepare,

for the edification of the PAWSD Board, a list of problems that exist in the annual report so that they understand the exposure they are inviting for a potential injunction from the BoCC because of these insufficiencies. He stated he felt the document was not studied carefully enough by the Board prior to its approval. Director Huff replied that he had read the full document twice and the Board had attorney substantiation. He suggested that Director Vega argue law with the attorneys. Director Vega replied that the issue is with the substance of the report. He stated that in his opinion, it defends an untenable position, which is that the District does not need to file an amended Service Plan. He felt the document did not adequately address the Service Plan issue and believed it had flawed conclusions.

Shellie Tressler pointed out that the attorneys hold the position that the state statute is not specific on the exact requirements to amend a service plan, and that the attorneys' position is that the District is not in violation of the Service Plan. Director Vega replied that the attorneys are not responsible for running the District. He stated that it is clear that the County government has a duty to act if it feels its citizens are in jeopardy due to what a Special District is doing. Director Vega recommended that a letter be sent to the BoCC asking for a revision to the Service Plan. Director Huff replied that he would like to hear from the BoCC after the May 24 presentation, and if the BoCC has further concerns or wish a revision of the Service Plan, that the PAWSD Board waits to receive that direction directly from them.

Discussion ensued regarding the role of the District attorneys. Director Vega stated that a perceived weakness of the previous Board was that it referred anything requiring ardent thinking to its attorneys. Resentment was expressed by Directors Chacey and Huff that Director Vega was insinuating the previous Board abrogated its duty by using attorneys. Chairman Hartvigsen brought the discussion back to the question of the format for the annual report presentation. Director Bunch stated he did not believe the District should have an attorney there, to which Director Huff strongly disagreed. Director Vega stated that if the document cannot be defended by this Board without an attorney then it has no business going before the BoCC. Chairman Hartvigsen remarked that having an attorney was not intended to present an adversarial position but rather it was appropriate to have someone who could interpret legal statutes. A motion was made by Director Vega and seconded by Director Bunch to not bring legal counsel to the presentation of the annual report to the BoCC. The motion failed with a three-two vote. Director Vega expressed embarrassment by the inability of the Directors to represent themselves without an attorney. A motion was made by Director Vega and seconded by Director Bunch to have a report provided to the Board of the full cost to have an attorney at the annual report presentation. The motion passed unanimously.

Ms. Weiss requested clarification from the Board members on their desired level of participation in the presentation. The directors agreed by consensus that they should each have the opportunity for a five minute part in the presentation to present their perspective, and directed staff to organize the presentation as such.

Consideration of Dry Gulch Reservoir Project

A. Southwest Land Alliance Update and Consideration of Amended Conservation Easement Transaction Fee Agreement (Third Party)

Michael Whiting, Executive Director for the Southwest Land Alliance, addressed the Board. He stated that he is resigning his position with the Southwest Land Alliance (SLA) and as part of this transition, the SLA Board is reviewing all contracts and agreements. Therefore, he did

not have an amended conservation easement transaction fee agreement for the PAWSD Board to consider. He suggested that the Board rely upon his integrity to complete the Dry Gulch property project. Absent of an agreement for the Board to consider, he stated he was there to provide a status report and explore if the new Board members had any questions. Mr. Whiting then presented a project background and a status report. He reported that the water districts and the Laverty family have been in negotiations on a conservation easement for three-quarters of a year. He explained that the SLA Board was not prepared to execute an amended transaction fee agreement until they understood what Mr. Whiting understood. He questioned if a service agreement was needed to proceed, since the SLA Board would not be willing to sign it immediately. He reported that a Sample Deed of Conservation Easement for Laverty Ranch had recently been provided to the District and counsel. Ms. Weiss informed the Directors that she had not provided a copy to them yet in anticipation of first acknowledging comments from counsel.

Director Vega asked if the pending Trout Unlimited litigation had any bearing on the negotiations, to which Mr. Whiting responded no. Director Vega asked what difference it would make to the negotiations if the PAWSD Board withdrew from the agreement with SLA, to which Mr. Whiting responded it would make no difference. Director Vega asked what legal expenses were being incurred by PAWSD as a result of participating in these negotiations, to which Carrie Weiss responded several thousands of dollars. Bill Hudson asked if the community consensus decides that a small reservoir is desired, will PAWSD need the Laverty property? Director Huff responded that the Laverty acquisition is a long-term plan and that having a conservation easement in place provides future Boards and the community the possibility to meet future needs regardless of what the community determines is the short-term need. Director Vega stated his feeling that it is a misappropriation of taxpayer money to spend money on legal counsel if PAWSD does not need to be part of the negotiations. Director Chacey asked Director Vega why he believed it was not PAWSD's responsibility to store water, to which Director Vega responded that he felt it was totally the responsibility of the San Juan Water Conservancy District to store water at the Dry Gulch location. Chairman Hartvigsen responded that the Board is most of the way there and he couldn't see moving backward at this point. Gene Tautges pointed out that a future Dry Gulch reservoir will be the raw water supply for PAWSD customers.

Ms. Weiss asked if the District should continue to work through Mr. Whiting, to which Mr. Whiting responded in the affirmative. Ms. Weiss asked if he anticipated submitting a fall Great Outdoors Colorado (GOCO) grant application, to which Mr. Whiting responded that that could be possible if everything is lined up. Ms. Weiss reported that the San Juan Water Conservancy District, in their previous day's regular meeting, had directed Ernie Amos and the PAWSD Chairman to meet with Michael Whiting. She asked Mr. Whiting about his availability to attend a June 14, 2010 4:00 p.m. special joint meeting between PAWSD and the SJWCD. Mr. Whiting confirmed that he would be there. Ms. Weiss requested a progress report from Mr. Whiting for that meeting.

B. Community Work Group

The Directors discussed the Dry Gulch Community Work Group desired outcomes and intent. Director Vega expressed displeasure that it seemed the workgroup was being developed with a narrow focus limited to studying the question of the size for the reservoir rather than a broader focus as stated in the minutes of the April 26, 2010 meeting where the Board approved the

work group concept. Sheila Berger claimed responsibility for the poor communication of intent, stating that she did not mean to be disingenuous and that the intent was the broader focus as reflected accurately in the minutes of that meeting. A motion was made by Director Vega and seconded by Director Bunch to rescind the motion from April 26, 2010 that created the Dry Gulch Community Work Group. The motion failed with a three to two vote. A motion was made by Director Huff and seconded by Director Vega that the four points of discussion as stated in the April 26, 2010 minutes, as well as a fifth point of consideration for alternative mechanisms for water storage, comprise the beginning points of discussion for the Dry Gulch Community Work Group. The motion carried unanimously with Director Chacey abstaining.

The Directors discussed the facilitator for the work group. Sheila Berger provided a synopsis of three candidates. Director Vega suggested that the District advertise for a facilitator locally prior to making a decision. The directors discussed the pros and cons of the expense and experience of a neutral facilitator. A motion was made by Director Huff and seconded by Director Chacey to engage Maro Zagoras as the facilitator for the Dry Gulch Community Work Group and direct Sheila Berger to work with her to begin the project. The motion passed with a four (Hartvigsen, Chacey, Huff, Bunch) to one (Vega) vote.

Consideration of Archuleta County/Pagosa Springs Joint Impact Fee Analysis

Carrie Weiss reported that the final EPS study ignored the January 20, 2010 letter and corrections from the water districts. She requested that the Board take action at this meeting on a response. Director Vega stated that he had read the January letter and felt that if the Districts' issues had validity, the concerns should have been quantified. He further stated that no legal theories were propounded and therefore it would be a waste of money to have an attorney respond. Ms. Weiss confirmed that the SJWCD had directed its attorney to write a response letter to EPS, the County, Town and the Department of Local Affairs (DOLA) who provided financial assistance with the study. Chairman Hartvigsen pointed out that the January letter did in fact quantify the water districts' concerns and because EPS did not respond in its final report, it led one to believe that they had completely ignored the letter. Ms. Weiss suggested that it was appropriate for staff to write a letter expressing PAWSD's concerns. Director Bunch added that the letter should ask why EPS did not respond to any of the concerns in the January letter. A motion was made by Director Vega and seconded by Director Bunch to direct Carrie Weiss to send a letter to EPS reiterating the District's concerns and requesting a response to the January 20, 2010 letter. The motion passed unanimously.

Discussion of Cloud Seeding Workshop

Carrie Weiss reported that there would be a cloud seeding workshop held in the PAWSD meeting room on July 12 from 2 to 4 P.M. Director Vega asked what the PAWSD financial commitment was for "stand-by," to which Shellie Tressler reported it had been \$2500 the previous winter.

Other Business

Carrie Weiss provided the Directors with information on the San Juan River Protection Work Group.

Ms. Weiss reported that any Board member interested in participating in the Colorado Foundation for Water Education tour June 9-11 needed to let her know so she could register them by May 24. She said that because the District and the SJWCD were participating in

hosting the tour, they had one free spot. She asked for Board consensus to send Director Chacey, since she could represent both Districts. The Board so consented. She stated that the District would be hosting a BBQ for the tour in Centennial Park on June 11 from 11:30 to 1:00 P.M., and she encouraged all Board members to attend stating she needed a head count by June 1.

Ms. Weiss requested a change in the June regular meeting date from June 8 to either June 7 or June 15 in order to accommodate the schedule of auditor Karla Clark and her report of 2009 financial statements. The date of June 15, 2010 was set.

Ms. Weiss suggested that work sessions to review certain policies, budget, strategic plan, etc. (as has been done in previous years) would be advantageous particularly to the new Directors. Directors Vega and Bunch did not feel it necessary to meet for such reviews.

Sheila Berger provided the Directors with a brief overview of some of the upcoming public outreach events, such as the Home and Garden Show and the library summer reading programs.

Director Vega requested that a discussion of the Service Plan be on the June meeting agenda.

There being no further business to come before the Board, the meeting was adjourned at 11:00 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer

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, May 24, 2010, at 12:00 noon. This Special Meeting is being called in order to immediately enter into executive session for the purposes of meeting with District counsel and receiving legal advice on specific legal questions relating to meeting with the Archuleta County Board of County Commissioners concerning the Annual Report, Service Plan, and

water supply planning pursuant to Section 24-6-402(4)(b), C.R.S. At the end of the executive session, the Special Meeting will be adjourned with no general business to be discussed.

The Special Meeting will be held at the District's administrative office located at 100 Lyn Avenue, Pagosa Springs, Colorado.

PAGOSA AREA WATER AND SANITATION DISTRICT

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

SEAL

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
MAY 24, 2010 SPECIAL MEETING

Attendance

The following Directors were present: Steve Hartvigsen, Windsor Chacey, Bob Huff, Allan Bunch and Roy Vega. Also in attendance were: Carrie Weiss, Gene Tautges, Sheila Berger, Michelle Tressler and Jim Collins, attorney for the District.

Disclosure of Potential Conflicts of Interest

Carrie Weiss had previously reported that she had filed a Disclosure of Conflict of Interest 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. Windsor Chacey had previously submitted a Disclosure as a Board of Director for the District and as member of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Call to Order

The Special Meeting of the Pagosa Area Water and Sanitation District was called to order by Chairman Steve Hartvigsen at 12:00 p.m. on May 24, 2010. A motion was made by Director Chacey and seconded by Director Huff to enter into Executive Session at 12:01 p.m. for the purposes of meeting with District counsel and receiving legal advice on specific legal questions relating to meeting with the Archuleta County Board of County Commissioners concerning the Annual Report, Service Plan, and water supply planning pursuant to Section 24-6-402(4)(b), C.R.S. Director Vega opined that business could be conducted in open session, to which Director Huff responded that the attorney should not be held back by open session. The motion carried with a four to one vote.

The Directors returned to open session at 1:26 p.m.

Other Business

There being no further business to come before the Board, the meeting was adjourned at 1:26 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer

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 Lavery 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 Lavery property into the other Lavery 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 Laverty 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

NOTICE
OF

1. CANCELLATION OF REGULAR MEETING
2. CHANGE IN REGULAR MEETING DATE
3. WORK SESSION

NOTICE IS HEREBY GIVEN that the Regular Meeting of the Board of Directors of the Pagosa Area Water and Sanitation District scheduled for Tuesday, June 8, 2010, has been cancelled. The Meeting has been rescheduled for Tuesday, June 15, 2010, at 6:30 p.m. Further Notice is provided that a Work Session is scheduled to begin at 5:30 p.m. The Work Session and Regular Meeting will be held at the District's administrative office located at 100 Lyn Avenue, Pagosa Springs, Colorado. The proposed Agenda is as follows:

1. Call to Order
2. Approval of Consent Agenda
 - Minutes – 05/11/10 Regular Meeting and 05/24/10 Special Meeting
 - Staff Report
 - Projects Update
 - Services Agreement – Pagosa Rooter, Inc.
3. Public Comment
4. 2009 Compilation Financial Statements – Karla Clark, Clark White & Associates
5. Water Conservation Report – Mat deGraff
6. Consideration of District-provided Meals
7. Consideration of District Bylaws
8. Discussion of Service Plan and Resolution
9. Consideration of (ARRA) Second Amendment to Loan Agreements
10. Consideration of Records Retention Policy
11. Discussion of District General Counsel
12. Public Outreach
13. 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

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
JUNE 15, 2010 REGULAR MEETING

Attendance

The following Directors were present: Steve Hartvigsen, Windsor Chacey, Bob Huff, Allan Bunch and Roy Vega. Also in attendance were: Carrie Weiss, Gene Tautges, Sheila Berger, Art Holloman, Michelle Peterson, Mat deGraaf, Karla Clark, Chuck McGuire, Bill Hudson, Jodie Blankenship, Steve Van Horn, John Ranson, Chalyn Fitzgerald, Medray Carpenter, Pat Alley, Lee Vorhies, Janet Santopietro, Susan Junta, Phyl Daleske, Cynda Green and Glenn Walsh.

Disclosure of Potential Conflicts of Interest

Carrie Weiss had previously reported that she had filed a Disclosure of Conflict of Interest 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. Windsor Chacey had previously submitted a Disclosure as a Board of Director for the District and as member of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Call to Order

The Regular Meeting of the Pagosa Area Water and Sanitation District was called to order by Chairman Steve Hartvigsen at 6:33 p.m. on June 15, 2010.

Approval of Consent Agenda

The Directors considered the Consent Agenda. Director Vega requested minutes be constrained to the business and actions of the Board rather than a transcription of the discussions for each agenda item. Chairman Hartvigsen supported that the minutes be presented in a more concise form. Carrie Weiss confirmed that the meeting was being recorded. Director Bunch noted a change to the regular meeting minutes of May 11. A motion was made by Director Chacey and seconded by Director Huff to approve the consent agenda with the change to the regular meeting minutes as noted. The motion passed unanimously.

Public Comment

Comments were heard from Steve Van Horn, Chuck McGuire and Glenn Walsh.

2009 Compilation of Financial Statements

Karla Clark of Clark, White and Associates presented the 2009 Compilation Financial Statements, explaining that the compilation was done to facilitate the 2009 Audit. Ms. Clark disclosed that she is not considered "independent" by the District's auditor and that her role is to provide Wall Smith Bateman and Associates, Inc., the financial statements according to the

Government Accounting Standards Board (GASB) format. Ms. Clark went through significant pages of the Compilation Financial Statements with the Directors. Some of the points of discussion were:

- Explanation of the difference between the in-house debt schedule document and the Compilation Financial Statements
- Inadvertent use of the term “interest” to indicate \$700,000 in ARRA loan funds that were not drawn as projected in 2009 and noting that it should be correctly recorded under ‘Other Financing Sources’ in the Audited Financial Statements
- The use of an audit committee and its role in subsequent audits
- Ms. Clark opined that the District had done a good job budgeting in 2009 considering that amendments that had been made had been in response to issues that could not have been reasonable forecast in the original budgeting process
- Ms. Clark commented that based on her long-term experience working with special districts, the PAWSD has done a good job of taking advantage of low-interest loan and grant funding opportunities in order to stay on top of infrastructure needs and in order to implement latest technologies. She stated that other districts not as successful in obtaining reasonable financing would have few resources other than and increase in service fees in order to manage required improvements to their facilities

After the presentation and discussion, the Directors adjourned for a five-minute break in order to reprioritize the agenda.

Water Conservation Report

Water Conservation Coordinator Mat deGraaf provided the Directors with a status report on water conservation program activities. He reported on water use within the community, leak detection activities, public education and outreach efforts, the Smart Water Audit retrofit program, statewide recognition of PAWSD’s program and his goals for the program. Carrie Weiss reminded the Directors that Mr. deGraaf will be providing them with quarterly updates.

Discussion of Service Plan and Resolution

Director Vega read a resolution he had drafted regarding the District Service Plan and the collection of system development fees for the Dry Gulch Project. After reading, a motion was made by Director Vega and seconded by Director Bunch to adopt the resolution as read into the record. The motion and resolution were discussed, including substantial public comment. The motion was withdrawn. A second motion was made by Director Vega and seconded by Director Bunch to adopt Therefore Specifications 1 and 2 of the resolution, in their entirety. After ensuing discussion, this motion was amended to remove the prefatory “Whereases” such that only Specifications 1 and 2 in their entirety be adopted. The motion failed 3-2 with Directors Huff, Chacey and Hartvigsen opposed. A motion was made by Director Huff and seconded by Director Bunch to declare a moratorium on the Water Resource Fee effective today [June 15, 2010] until six months hence [December 15, 2010] and if in six months the Board has not taken any action relative to this issue then the Water Resource Fee will be reinstated. Michelle Peterson asked for clarification if Amortization Agreements in place would remain in effect, to which Directors concurred that they would. The motion passed 4-1 with Director Vega opposed.

Due to the late hour, Chairman Hartvigsen asked the Board and audience to consider tabling the remaining items on the agenda until the July 13 meeting. All but the following two items were tabled.

Discussion of District General Counsel

Director Vega listed his concerns with District General Counsel Jim Collins of Collins, Cockrel and Cole, stating he felt this firm should be put on six-month probation and the District should consider seeking independent counsel. A motion was made by Director Vega and seconded by Director Bunch to notify Collins, Cockrel and Cole that the PAWSD is placing them on probation for the next six months. The motion failed 3-2 with Directors Vega and Bunch in favor.

Consideration of (ARRA) Second Amendment to Loan Agreements

Shellie Peterson explained the reason for the amendment. A motion was made by Chairman Hartvigsen and seconded by Director Bunch to approve the second amendment to the American Recovery and Reinvestment Act loan agreement and authorize the execution of this amended agreement. The motion passed unanimously.

Other Business

There being no further business to come before the Board, the meeting was adjourned at 10:45 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer

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

NOTICE OF WORK SESSION AND SPECIAL MEETING

NOTICE IS HEREBY GIVEN that a Work Session and Special Meeting of the Board of Directors of the Pagosa Area Water and Sanitation District have been scheduled for Monday, July 12, 2010, at 2:00 p.m. and 4:30 p.m. respectively. The Work Session is noticed to accommodate the attendance of three or more members of the Board at a Cloud Seeding Workshop. The primary purpose of the Special 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 will 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, including Court Case 04CW85, involving both Districts

pursuant to Sections 24-6-402(4)(a) and 24-6-402(4)(e), C.R.S. The Work Session and Meeting will be held at the District's administrative office located at 100 Lyn Avenue, Pagosa Springs, Colorado.

Proposed Agenda is as follows:

1. 2:00 p.m. - Cloud Seeding Workshop
2. 4:30 p.m. - Call to Order
3. Discussion and Consideration of Proposed Dry Gulch Reservoir and Related Projects
 - A. Southwest Land Alliance/Laverty Acquisition
 1. Status Report
 2. Sample Deed of Conservation Easement for Laverty Ranch
 - B. Water Yields
 - C. Water Supply Planning Work Group
4. Consideration of Court Case 06CW109
5. Report on Colorado River Water Availability Study
6. Executive Session Pursuant to Sections as Described Above
7. Return to Open Session
8. Consideration of Proposed Dry Gulch Reservoir and Acquisition of Property and Court Case 04CW85
9. 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
JULY 12, 2010

Attendance

The following Directors were present:

Representing SJWCD: Diane Bower, Karen Wessels, Carrie Weiss, Jack DeLange, and Windsor Chacey.

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

Present from PAWSD were Sheila Berger, Michelle Peterson and Gene Tautges. Present from the media were Chuck McGuire and Jodie Blankenship. The attached list details those present from the public.

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 4:40 p.m., Monday, July 12, 2010. The Directors introduced themselves to the audience. On behalf of the SJWCD, a motion was made by Director Weiss and seconded by Director DeLange to excuse Directors Harold Slavinski, Mark Garcia and Pat Ullrich who had indicated they were 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/Laverty Acquisition – Status Report and Sample Deed of Conservation Easement for Laverty Ranch

Michael Whiting, Southwest Land Alliance (SLA), provided a status report to the Directors. His main points were: 1) the Lavertys, Districts and SLA have executed an Extended Conservation Easement Transaction Fee Agreement retroactive from May 12, 2010 to December 31, 2010; 2) The quitclaim of the Bill and Peggy Laverty property to their children Steve, Kurt and Kitzel (Farrah) Laverty is underway; 3) The baseline documentation report will be completed by July 30, 2010; 4) The parties are working hard on negotiating the details of the conservation deed language in order to be able to meet the fall Great Outdoors Colorado deadline.

The Directors discussed with Mr. Whiting the conservation easement appraisal process. Mr. Whiting confirmed a conservation easement appraisal has a “shelf life” of 60 days and is not impacted by building envelope location as much as by number and size of building envelopes. The Directors discussed with Mr. Whiting the use of a fence setback from the waterline as the definition of the conservation easement boundary, within which would be a public trail easement. The Directors discussed the appropriateness of PAWSD as a partner with the San Juan Water Conservancy District in the conservation easement transaction. Chairman Hartvigsen went over notes from his and Director Slavinski’s last meeting with the Lavertys.

B. Water Yields

This topic was deferred to Executive Session.

C. Water Supply Planning Work Group

Director Weiss informed the SJWCD Board that the PAWSD Board would discuss the work group the following night at their regular meeting. Chairman Hartvigsen explained that the next meeting of the work group, planned for July 14, had been cancelled for a number of reasons, one of which was the facilitator questioning her ability to serve. Sheila Berger confirmed that in a conversation with facilitator Maro Zagoras, Ms. Zagoras had expressed that

she felt she had become an issue to some members of the group and without buy-in from the entire group for her to be their facilitator, it would present an issue that would preclude discussion of substantive issues. Some of the work group members in the audience expressed disappointment in the meeting cancellation and in the direction the work group had taken. Michael Whiting expressed that he was resigning from the work group, feeling that it had taken a distinctly financial orientation and that was not his area of expertise.

Consideration of Court Case 06CW109

Director Weiss explained that this court case concerned a water right for the irrigation of 5 acres with 0.25 cfs from the San Juan River, the complication having been that it was unclear whether the diversion point was on District property or on the applicant's (American Real Estate Investors, LLC) property. This situation now had been clarified in the applicant's favor. On behalf of PAWSD, a motion was made by Director Vega and seconded by Director Bunch to support the proposed decree. The motion passed unanimously. On behalf of SJWCD, a motion was made by Director DeLange and seconded by Director Weiss to support the proposed decree. The motion passed unanimously.

Report on Colorado River Water Availability Study

Steve Harris provided a synopsis of his review of the Colorado Water Conservation Board's (CWCB) Colorado River Water Availability Study (CRWAS), explaining that comments on this 486 page draft document were due back to the CWCB next week. He explained to the Boards how the water available projections and models were calculated and he went over different graphs concerning this area of the state taken from the report. He explained that there were three future water availability scenarios (models) in the report, one of which was highly uncertain with a very wide range of availability projected (from 0 to 1 million AF available). Mr. Harris' overall recommendation was that the CWCB de-emphasize this model and put more emphasis on the other two which had narrower availability ranges. Pete Kasper pointed out that these models were only Phase 1 of the study and did not include development of conditional water rights, which would narrow the projected availability range further to the left. Mr. Harris went over his letter of comments to the CWCB, asking for the Boards' authorization to include them as signatories to the letter, as opposed to writing a separate letter(s) for the other clients he represents. On behalf of PAWSD, a motion was made by Director Vega and seconded by Director Bunch to authorize the President to sign the letter. The motion passed unanimously. On behalf of SJWCD, a motion was made by Director Wessels and seconded by Director DeLange to authorize the President to sign the letter. The motion passed unanimously.

Executive Session 1

Chairman Hartvigsen suggested moving into Executive Session to discuss matters pursuant to certain sections described above. Discussion ensued about the use of Executive Session to discuss the Steve Harris calculations regarding firm yield of existing raw water supply. On behalf of the PAWSD Board, a motion was made by Director Huff and seconded by Director Chacey to enter into Executive Session for the purposes of determining positions relative to matters that may be subject to negotiations involving both Districts pursuant to Section 24-6-402(4)(e), C.R.S. The motion failed to receive 2/3 affirmative vote of the quorum present with Directors Vega and Bunch voting nay and Directors Chacey, Huff and Hartvigsen voting aye. On behalf of the SJWCD Board, a motion was made by Director Wessels and seconded by Director DeLange to enter into Executive Session at 6:30 p.m. for the purposes of determining

positions relative to matters that may be subject to negotiations involving both Districts pursuant to Section 24-6-402(4)(e), C.R.S. The motion passed unanimously.

The SJWCD Directors returned to open session at 7:05 p.m., then joined by the PAWSD Directors.

Executive Session 2

On behalf of the PAWSD Board, a motion was made by Director Huff and seconded by Director Chacey to enter into Executive Session for the purposes of discussion of matters related to land acquisition for development of raw water facilities involving both Districts pursuant to Section 24-6-402(4)(a), C.R.S. Discussion again ensued regarding if the topics for discussion merited going into Executive Session. The motion failed to receive 2/3 affirmative vote of the quorum present with Directors Vega and Bunch voting nay and Directors Chacey, Huff and Hartvigsen voting aye. By consensus the SJWCD Board opted out of Executive Session for this purpose.

Executive Session 3

On behalf of the PAWSD Board, a motion was made by Director Huff and seconded by Director Chacey to enter into Executive Session at 7:38 p.m. for the purposes of discussion of matters subject to negotiation, including Court Case 04CW85, involving both Districts pursuant to Section 24-6-402(4)(e), C.R.S. The motion passed unanimously. On behalf of the SJWCD Board, a motion was made by Director DeLange and seconded by Director Wessels to enter into Executive Session at 7:38 p.m. for the purposes of discussion of matters subject to negotiation, including Court Case 04CW85, involving both Districts pursuant to Section 24-6-402(4)(e), C.R.S. The motion passed unanimously.

The Directors returned to open session at 8:03 p.m.

Consideration of Proposed Dry Gulch Reservoir and Acquisition of Property and Court Case 04CW85

Director Weiss reported that the two Boards agreed to engage in negotiations with Trout Unlimited in order to reach closure in that case.

Other Business

The Boards scheduled another joint meeting on August 9, 2010 at 4:00 p.m. Director Weiss informed the Directors that at that meeting they will have on their agenda to consider respective resolutions opposing Amendments 60 and 61 and Proposition 101, all three of which will be on the November ballot.

There being no further business to come before the joint Boards, the meeting adjourned at 8:07 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer, PAWSD

Jack B. DeLange
Secretary/Treasurer, SJWCD

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

NOTICE IS HEREBY GIVEN that a Work Session and Regular Meeting of the Board of Directors of the Pagosa Area Water and Sanitation District have been scheduled for Tuesday, July 13, 2010, at 5:30 p.m. and 6:30 p.m. respectively. The Board of Directors is expected to enter into Executive Session for the purposes of discussing personnel matters pursuant to Section 24-6-402(4)(f), C.R.S. The Work Session and Regular Meeting will be held at the District's administrative office located at 100 Lyn Avenue, Pagosa Springs, Colorado. The proposed Agenda is as follows:

1. Call to Order
2. Approval of Consent Agenda
 - Minutes – 06/15/10 Regular Meeting and 06/14/10 Special Meeting
 - Staff Reports
 - Projects Update
 - Services Agreements – Harris Water Engineering, Inc. and Davis Engineering Service, Inc.
 - Strategic Plan Update
 - Investment Report
3. Public Comment
4. 2009 Financial Audit – Wall, Smith, Bateman and Associates
5. Discussion and Consideration of Community Water Supply Planning Group
 - A. Agreement with Desired Outcomes, Inc.
 - B. Board Roles, Past and Previous Board Members
 - C. Moratorium on Water Resource Fee
6. Consideration of District Bylaws
7. Consideration of Records Retention Policy
8. Ratify and Consideration of Request Regarding Development from Tom Smith
9. Ratify Change Order from Pall Corporation
10. Consideration of Interest Payment to CWCB on Loan Contract #C150261
11. Consideration of CDOT Standard Utility Agreement
12. Consideration of Requests for Donations to United Way and Archuleta County Fair
13. Public Outreach
14. Consideration of District-provided Meals
15. Personnel Matters
16. Executive Session Pursuant to Section Above Described
17. 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

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
JULY 13, 2010 REGULAR MEETING

Attendance

The following Directors were present: Steve Hartvigsen, Windsor Chacey, Bob Huff, Allan Bunch and Roy Vega. Also in attendance from PAWSD were: Carrie Weiss, Gene Tautges, Sheila Berger, Art Holloman and Michelle Peterson. Present from the media were Chuck McGuire and Bill Hudson. The attached list details those present from the public.

Disclosure of Potential Conflicts of Interest

Carrie Weiss had previously reported that she had filed a Disclosure of Conflict of Interest 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. Windsor Chacey had previously submitted a Disclosure as a Board of Director for the District and as member of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Call to Order

The Regular Meeting of the Pagosa Area Water and Sanitation District was called to order by Chairman Steve Hartvigsen at 6:35 p.m. on July 13, 2010.

Approval of Consent Agenda

The Directors considered the Consent Agenda. A change to the recording of votes was requested by Director Bunch. A motion was made by Director Bunch and seconded by Director Huff that all staff reports except the Manager's Report be discontinued as inclusion in the Consent Agenda. The motion passed unanimously. A motion was made by Director Huff and seconded by Director Bunch to approve the Consent Agenda with the change to the meeting minutes as noted. The motion passed unanimously.

Public Comment

Chairman Hartvigsen asked if there were any public comments. None were offered.

2009 Financial Audit – Wall, Smith, Bateman and Associates

Karla Willschau and Kristie Cortez of Wall, Smith, Bateman and Associates presented the 2009 Audited Financial Statements. Ms. Willschau went over the different component parts of the audit, including the letter from her firm explaining the responsibility of the independent auditor, management's discussion and analysis, the financial statements, the footnotes and the Schedule of Expenditures of Federal Awards (single audit letter). She pointed out that significant for 2009 was the District's receipt of federal stimulus money which triggered the requirement of being subject to the single audit law. Ms. Willschau presented the audit with an

unqualified opinion, the financial statements having no material weaknesses or significant deficiencies. She went over the financial statements and pointed the Directors to the Long-term Liabilities footnote, which was a description of District debt structure and repayment. After further questions and responses from Ms. Willschau confirming the continued good financial health of the District, a motion was made by Director Huff and seconded by Director Bunch to approve the Audit as presented. The motion passed unanimously.

Discussion and Consideration of the Community Water Supply Planning Group

Special Projects Manager Sheila Berger, referencing a memo to the Board, provided an overview of the current status of the community work group process and the need for the Board to consider alternative methods for going forward. Chairman Hartvigsen requested that members of the work group in the audience provide the Board with input on their perspective regarding the process and suggestions for moving forward. Several members spoke to the topic, with suggestions ranging from retaining the group as currently constituted but providing for more leadership to disbanding the group and creating a committee of experts. Director Huff, emphasizing that retaining a public process is very important, stated his support for a task force chosen jointly with the Board of County Commissioners through a selection process, comprised of 7 to 10 people, the needed expertise and skills of whom would be determined by both Boards. He further stated that this committee would oversee a large-scale fact finding mission and also take input from the public. Director Huff expressed that he felt much better about the PAWSD's relationship with the County Commissioners, a sentiment that was supported by audience member Commissioner John Ranson. Both men took responsibility for the controversial history between the two agencies. The Directors discussed the merits of a jointly-appointed study group. Director Vega suggested that out of respect for the current work group, that a decision by the Board not be made that evening but rather notice the current work group that a decision will be forth-coming, and request that they meet again to discuss recommendations to the Board on how to proceed. After significantly more discussion on whether or not to ask the group to meet again, a motion was made by Director Hartvigsen and seconded by Director Huff that the work group be notified that the PAWSD Board is leaning towards getting together with the Board of County Commissioners to choose a task force and that the work group be encouraged to meet on July 28th to determine what skill sets would be needed for this committee, and that a special meeting be scheduled as soon as possible afterwards. The motion passed 3-2 with Directors Chacey, Huff and Hartvigsen voting in favor and Directors Bunch and Vega opposed. The Directors then scheduled a Special Meeting for July 29, 2010 at 5:30 p.m.

Cost of Legal Representation for the May 24, 2010 County-PAWSD Joint Meeting

At the request of Director Vega, this unnoticed agenda item was inserted at this time. Director Vega expressed concerns about the inappropriate and unnecessary use of, and expense incurred by the District for, District counsel at the PAWSD-County annual report presentation joint meeting. As requested by the Board, Manager Carrie Weiss had provided related costs – travel (including attending meetings) costs \$3,842; related (prep time) costs of \$3,028.65 for a total of \$6,870.65. A discount, not included in these amounts, was also extended to the District. Director Huff supported the need for District counsel at that meeting. Discussion continued for several more minutes with no resolution. Chairman Hartvigsen requested that this discussion be terminated.

After this discussion, the Directors adjourned for a ten-minute break. Upon reconvening, due to the late hour, Chairman Hartvigsen asked the Board and audience to consider tabling some of the remaining items on the agenda until the July 29 Special Meeting. All but the following four items were tabled.

Ratify Change Order from Pall Corporation

Manager Carrie Weiss noted that the attached Pall Corporation Change Order, for improvements to the Hatcher Water Treatment Plant, had been previously approved by the Board via poll and that a motion to ratify the approval was required at this time. A motion was made by Director Hartvigsen and seconded by Director Huff to ratify approval of the change order from the Pall Corporation. The motion passed unanimously.

Consideration of CDOT Standard Utility Agreement

Manager Carrie Weiss reported that CDOT is ready to start work at the Jackson Mountain Slide area and the Standard Utility Agreement must be executed so that they can move forward. She reported that the pipeline relocation is scheduled to occur next year, and that the current plan was to replace 500 feet of ductile iron pipe with higher grade and larger diameter HDPE, with up to 950 feet to be replaced if we are able to supply enough rock from the Highlands project. Field Manager Art Holloman informed that the line could be out of service no more than 1.5 to 4 days, depending on the time of year, before District 2 would run out of water. Director Vega suggested that at the time of the line replacement, District 2 customers be encouraged to conserve water. After further discussion of the agreement, a motion was made by Director Huff and seconded by Director Bunch to approve the CDOT Standard Utility Agreement. The motion passed unanimously.

Personnel Matters

Manager Carrie Weiss reported that the District has been down 1.5 field technicians for over a year, and requested that the Board fill, in part, this position using funds that were budgeted for 2010 but have not been used. She supported the request with details of the position's responsibilities, which would be primarily to support the Automated Meter Reading, meter replacement and leak detection programs thus enhancing the overall Water Accountability Program. Assistant Manager Shellie Peterson further supported the request with budgetary numbers. Following discussion, a motion was made by Director Huff and seconded by Director Vega to authorize the Manager to hire an additional field service technician. The motion passed unanimously.

Ms. Weiss next reported three resignations: Customer Service Manager Lisa Dermody, Special Projects Manager Sheila Berger and herself as the District Manager after nearly 28 years of service. The Board members expressed appreciation of the work of these three individuals.

Executive Session

A motion was made by Director Huff and seconded by Director Bunch to enter into Executive Session at 9:50 p.m. for the purposes of discussing personnel matters pursuant to Section 24-6-402(4) (f). The motion passed unanimously.

The Directors returned to open session at 10:38 p.m.

Other Business

Director Huff moved to contact ESM Consulting Services for recruitment of a new District Manager and an invitation to attend the July 29th Special Meeting, and contact District Counsel Jim Collins and SDA for other consultants. The motion was seconded by Director Bunch and passed unanimously.

A motion was made by Director Vega to pay severance compensation that would be sick leave hours remaining after application of the District's Personnel Policy with regard to accumulated sick leave in recognition of the Manager's twenty-eight years of service to the District. The motion was seconded by Director Bunch and passed unanimously.

There being no further business to come before the Board, the meeting was adjourned at 10:43 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer

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

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 Thursday, July 29, 2010, at 5:30 p.m. The Special Meeting will be held at the District's administrative office located at 100 Lyn Avenue, Pagosa Springs, Colorado. The proposed Agenda is as follows:

1. Call to Order
2. Public Comment
3. Discussion and Consideration of Community Water Supply Planning Group
4. Consideration of Recruitment of District Manager
 ESM Consulting Services
5. Consideration of District Bylaws
6. Consideration of Records Retention Policy
7. Ratify Consideration of Request Regarding Development from
 Tom Smith
8. Consideration of Interest Payment to CWCB on Loan Contract #C150261
9. Consideration of Requests for Donations to United Way, Archuleta County

- Fair, and Rotary Chuck Dorman Memorial Golf Tournament
10. Public Outreach
 11. Consideration of District-provided Meals
 12. 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

RECORD OF PROCEEDINGS PAGOSA AREA WATER AND SANITATION DISTRICT JULY 29, 2010 SPECIAL MEETING

Attendance

The following Directors were present: Steve Hartvigsen, Windsor Chacey, Bob Huff, Allan Bunch and Roy Vega. In attendance from staff were: Carrie Weiss, Gene Tautges, Sheila Berger, Art Holloman, Michelle Peterson. Present from the media were Jim McQuiggin and Bill Hudson. The attached list details those present from the public.

Disclosure of Potential Conflicts of Interest

Carrie Weiss had previously reported that she had filed a Disclosure of Conflict of Interest 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. Windsor Chacey had previously submitted a Disclosure as a Board of Director for the District and as member of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Call to Order

The Special Meeting of the Pagosa Area Water and Sanitation District was called to order by Chairman Steve Hartvigsen at 5:34 p.m. on July 29, 2010.

Public Comment

Chairman Hartvigsen asked if there were any public comments. None were offered.

Discussion and Consideration of Community Water Supply Planning Group

Sheila Berger provided the Directors with a summary of the recommendations submitted by the work group from its July 28, 2010 meeting. Bruce Dryburgh, Work Group Chairman, offered additional comments attesting to the success of the previous evening's meeting. Additional comments were heard from various other members of the Work Group. Each of the Directors discussed his/her position on maintaining the group as presently constituted. Further comments were heard from various members of the work group, the public and Commissioner John

Ranson. After nearly two hours of discussion, a motion was made by Director Huff and seconded by Director Chacey to cease authorization of the work group as it is currently constituted and reconstitute it with the cooperation of the Board of County Commissioners. The motion failed with two in favor (Huff, Chacey) and three opposed (Vega, Bunch, Hartvigsen). A motion was made by Director Vega and seconded by Director Bunch to accept the report, identified as the Work Group report of July 28, 2010 from Bruce Dryburgh and Will Neder, and the recommendations therein. The motion passed 4-1 with Director Chacey opposed.

Consideration of Recruitment of District Manager

The Directors heard a presentation from Eric Marburger of ESM Consulting Services. After discussion of his proposal and proposals from The Mercer Group and Gemsbock Consulting, a motion was made by Director Bunch and seconded by Director Huff to engage ESM Consulting Services in recruitment of a District Manager. The motion passed unanimously. Asked about timeframe, Mr. Marburger stated that a new Manager should be on board by the end of the year. By consensus the Board directed the District Manager to provide Mr. Marburger with a legal memorandum reiterating the legal requirements for recruitment, in order to ensure he is in compliance.

Cost of Work Group Outside Resources

Carrie Weiss requested that the Board consider authorizing staff to invite consultants to the community water supply work group meetings, as requested by the work group. She confirmed that approximately \$10,000 is left from what was budgeted for a work group facilitator. A motion was made by Director Vega and seconded by Director Huff that the District Manager, using her discretion, be authorized to use the money remaining from what was allocated for the work group facilitator to provide consultant services as requested by the work group. The motion passed unanimously.

Discussion of Filling Vacant Staff Positions

Chairman Hartvigsen presented a question of whether to delay filling positions that had been vacated until a new District Manager is on board. He clarified that the positions in question were Account Specialist and Special Projects Manager. Carrie Weiss opined that delaying this would be a huge disservice to the District, stating that staff is already overworked, and that the interview process is well underway. Director Vega expressed that in these economic times the District needs to tighten its belt and consider these positions in the context of "mission critical." Director Huff expressed his support to continue the process of filling these positions. With Director Chacey and Chairman Hartvigsen agreeing with Director Huff, the discussion was discontinued.

Consideration of District Bylaws

The Directors discussed revisions to the District Bylaws suggested by Director Bunch. The need for an indemnification resolution was discussed. A motion was made by Director Bunch and seconded by Director Vega to direct legal counsel to draft a resolution of indemnification. The motion passed unanimously. A motion was made by Director Huff and seconded by Director Bunch to adopt the District Bylaws as changed and submit to the District attorney for review. The motion passed unanimously.

Consideration of Records Retention Policy

Shellie Peterson presented the Directors with a draft Records Retention and Disposition Policy. A motion was made by Director Bunch and seconded by Director Huff to accept the Records Retention and Disposition Policy as written and approve the associated Resolution. The motion passed unanimously.

Ratify Consideration of Request Regarding Development from Tom Smith

A motion was made by Director Huff and seconded by Director Chacey to ratify a consensus decision discussed in the July 1, 2010 Board work session to approve continued discussion with Tom Smith regarding water rights and his proposed development. The motion passed unanimously.

Consideration of Interest Payment to CWCB on Loan Contract #C150261

Shellie Peterson had previously presented an idea to the Board for their consideration that the District prepay an interest payment this year on the Dry Gulch property loan. She confirmed that prepaying would not save the District money, but would demonstrate good faith and maintain a good relationship with the lender, the Colorado Water Conservation Board. A motion was made by Director Bunch and seconded by Director Vega to not make an interest payment at this time. The motion passed unanimously.

Consideration of Requests for Donations

The Directors considered donation requests from United Way, Archuleta County Fair and Rotary Chuck Dorman Memorial Golf Tournament. A motion was made by Director Bunch and seconded by Director Vega to not make any donations, on the advice of counsel, and that the Board take the position that those types of donations are in violation of Colorado Constitutional law. The motion passed unanimously.

Public Outreach

Sheila Berger provided the Directors with an overview of recent and upcoming public outreach activities.

Consideration of District-Provided Meals

Director Huff expressed that he did not feel provision of a sandwich and cookies was an exorbitant expense. There was no further discussion.

Other Business

Responding to concerns about legal expenses expressed earlier in the evening by Director Bunch, Carrie Weiss requested guidance from the Board as to when she should contact the District attorney, stating that historically attorney consultation had always been left to the District Manager's discretion. The Directors discussed options to the current use of legal counsel. Director Vega suggested setting up and using a budget committee to explore different options for legal services, to include a retainer arrangement and to investigate using local firms for routine matters. The Directors decided by consensus to form a Budget Committee comprised of Directors Bunch and Chacey and the District Manager, or designee, their first order of business to explore legal services options. The Board also decided by consensus to form an Audit Committee comprised of Directors Vega and Chacey and the District Manager, or designee.

5. Return to Open Session
6. Consideration of Proposed Dry Gulch Reservoir and Acquisition of Property and Court Case 04CW85
7. Any Other Business Brought Before the Board Will Be Duly Considered.

SAN JUAN WATER CONSERVANCY 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
AUGUST 09, 2010

Attendance

The following Directors were present:

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

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

Present from PAWSD were Sheila Berger and Michelle Peterson. Also present were Steve Harris, Jodie Blankenship, Pete Kasper, Bruce Dryburgh, Glenn Robinson and Michael Whiting.

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 4:11 p.m., Monday, August 9, 2010. On behalf of the SJWCD, a motion was made by Director Weiss and seconded by Director Slavinski to excuse Directors Jack DeLange, Mark Garcia and Karen Wessels who had indicated they were unable to attend. The motion passed unanimously. On behalf of the PAWSD, a motion was made by Director Hartvigsen and seconded by Director Chacey to excuse Director Huff who had indicated he 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. Windsor Chacey had previously submitted a Disclosure as a Director on the Board of the PAWSD District and a Director on the SJWCD District. 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.

Consideration of Financial Participation in 2010/2011 Weather Modification Program

The Directors discussed a memo from Larry Hjerstad describing costs for different levels of participation in the cloud seeding program. On behalf of PAWSD, a motion was made by Director Vega and seconded by Director Bunch to participate in the amount of \$5,200 in the 2010/2011 Weather Modification Program, which would target the Four-mile Creek Basin over a two-month period. The motion passed unanimously. On behalf of the SJWCD, a motion was made by Director Weiss and seconded by Director Ash to participate in the amount of \$5,200 in the 2010/2011 Weather Modification Program, which would target the Four-mile Creek Basin over a two-month period. The motion passed unanimously.

Discussion and Consideration of Proposed Dry Gulch Reservoir and Related Projects

A. Southwest Land Alliance/Laverty Acquisition – Status Report, Sample Deed of Conservation Easement for Laverty Ranch, and Buffer Zone

Michael Whiting, Southwest Land Alliance (SLA), provided a status report to the Directors. His main points were: 1) The quitclaim of the Bill and Peggy Laverty property to their children Steve, Kurt and Kitzel (Farrah) Laverty is underway; 2) The baseline documentation report is in large part complete; 3) A mineral geologist has been engaged.

Chairman Hartvigsen informed the Directors that he and Director Slavinski had met with the Lavertys and that suggested changes were to be taken to the Districts' attorney, but since that meeting some uncertainties about whether or not to proceed with the transaction had arisen. He stated these uncertainties as: 1) the County Board of Commissioners through several meetings had expressed concern about the PAWSD taking on additional debt; 2) negotiations toward a settlement were on-going with Trout Unlimited; 3) the Water Supply Community Work Group has asked for the Districts to hold off on making decisions pertaining to Dry Gulch until their work was complete. The Directors discussed how and if to proceed with the conservation easement. By consensus, they directed Chairman Hartvigsen to inform the Lavertys that the Districts are putting the easement negotiations on hold until the Community Work Group comes forward with recommendations, but that in the meantime the Lavertys should pursue what is in their best interest with regard to a conservation easement without any consideration of pending compensation from the Districts.

The Directors discussed the need for and size of a buffer zone around a future reservoir water line to protect the water quality. After much discussion regarding the timing of such an assessment, on behalf of the PAWSD a motion was made by Director Chacey and seconded by Chairman Hartvigsen to approach Briliam Engineering on the question of what would be the cost for them to analyze and provide information and recommendations for buffering public water resources (in general, not specific to the Dry Gulch site). The motion passed unanimously.

Director Weiss asked for consensus from the SJWCD Board to pay for one-half the amount of Davis Engineering's time that had been billed to PAWSD to delineate the amount of acreage of Laverty property that would be inundated at different reservoir sizes. The Board approved this expenditure by consensus.

B. Court Case 04CW85

Director Weiss reported no progress or updates in the Trout Unlimited remand case. She stated that Senator Whitehead had offered his services to facilitate a settlement between the parties but the process had not yet commenced.

C. Water Supply Planning Work Group

Director Bunch updated the SJWCD on the PAWSD Board decision to allow the work group to proceed in its current fashion without a facilitator. He reported that the group has decided to break into subcommittees, and he expressed that he was encouraged by the work group meeting. Upon a request from audience and work group member Glenn Robinson, a motion was made by Director Slavinski and seconded by Director Ullrich to support the work group in its efforts. The motion passed 5-1 with Director Chacey opposing.

Other Business

Steve Harris expressed appreciation for the work of Carrie Weiss and Sheila Berger.

The Boards discussed holding a joint meeting in September or October but no date was set.

There being no further business to come before the joint Boards, the meeting adjourned at 6:10 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer, PAWSD

Jack B. DeLange
Secretary/Treasurer, SJWCD

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

NOTICE IS HEREBY GIVEN that a Work Session and Regular Meeting of the Board of Directors of the Pagosa Area Water and Sanitation District have been scheduled for Tuesday, August 10, 2010, at 5:30 p.m. and 6:30 p.m. respectively. The Board of Directors is expected to enter into Executive Session for the purposes of discussing personnel matters pursuant to Section 24-6-402(4)(f), C.R.S. The Work Session and Regular Meeting will be held at the District’s administrative office located at 100 Lyn Avenue, Pagosa Springs, Colorado. The proposed Agenda is as follows:

1. Call to Order
2. Approval of Consent Agenda
Minutes – 07/12/10, 07/13/10, and 07/29/10 Special and Regular Meetings
Staff Report

- Projects Update
Change Order – Weaver General Construction
Financial Statements
3. Public Comment
 4. Report on Work Session with Archuleta County Board of County Commissioners
 5. Consideration of Request for Consideration of Raw Water Irrigation Fees
Ann Marie Castor
Lynne Killey
 6. Consideration of Requests for Refund of Water Resource Fee
Thomas Kisko
Habitat for Humanity of Archuleta County
 7. Consideration of Resolution Advocating Voter Opposition to Amendment 60, Amendment 61 and Proposition 101
 8. Consideration of Indemnification Resolution
 9. Consideration of Recruitment of District Manager
 - A. Agreement with ESM Consulting Services
 - B. Search Committee
 - C. Resolution Approving the Job Search Goals Recommended by the Search Committee for a District Manager
 10. Public Outreach
 11. Personnel Matters
 12. Executive Session Pursuant to Section Above Described
 13. 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

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
AUGUST 10, 2010 REGULAR MEETING

Attendance

The following Directors were present: Steve Hartvigsen, Windsor Chacey, Allan Bunch and Roy Vega. In attendance from staff were: Carrie Weiss, Gene Tautges, Sheila Berger, Art Holloman, and Michelle Peterson. Also present were Al Bledsoe, John Huft, Bruce Dryburgh, Steve Van Horn, Glenn Robinson, Chalyn Fitzgerald, Bill Hudson, John Ranson and Cindi Galabota.

Disclosure of Potential Conflicts of Interest

Carrie Weiss had previously reported that she had filed a Disclosure of Conflict of Interest 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. Windsor Chacey had previously submitted a Disclosure as a Board of Director for the District and as member of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Call to Order

The Regular Meeting of the Pagosa Area Water and Sanitation District was called to order by Chairman Steve Hartvigsen at 6:30 p.m. on August 10, 2010. A motion was made by Chairman Hartvigsen and seconded by Director Chacey to excuse Director Huff who had previously informed that he would not be in attendance. The motion passed unanimously.

Approval of Consent Agenda

The Directors considered the Consent Agenda. Directors Vega and Bunch suggested changes to the regular meeting minutes of July 13 and the special meeting minutes of July 29. The Hatcher Water Treatment Plant change order was discussed at length. A motion was made by Director Bunch and seconded by Director Vega to approve the consent agenda with the changes to the regular and special meeting minutes as noted. The motion passed unanimously.

Public Comment

Chairman Hartvigsen asked if there were any public comments. Public comments were heard from Bruce Dryburgh and Steve Van Horn regarding the conditions of purchase of the Dry Gulch property from the Weber family. Manager Carrie Weiss stated that the binder with all purchase documents was available for viewing.

Report on Work Session with the Archuleta County Board of County Commissioners

The Directors discussed the minutes of the August 3, 2010 joint meeting with the Archuleta County Board of County Commissioners, resulting in several changes being made. Following discussion, Chairman Hartvigsen agreed to compile all changes to the minutes, integrate the amended minutes with the initial County-furnished draft Memorandum of Understanding (MOU) and the format proposed by Director Bob Huff, and render all these component parts into a draft MOU which he would provide for the review of the other Directors prior to delivering to the County attorney. The Board agreed that the County attorney should review and make edits to this MOU prior to it being furnished to the District's attorney.

Requests for Consideration of Raw Water Irrigation Fee

The Directors discussed letters of request from two individuals for consideration of raw water irrigation fee reduction. Staff suggested that because the fee is tied to the equivalent units (EUs) associated with the property that the individuals be asked to complete a fixture count meter sizing worksheet in order to ascertain true equivalent unit count for each property, thus establishing the fee. The Board discussed the equity of applying treated water methods for determining EUs to raw water consumption and billing. A motion was made by Chairman Hartvigsen and seconded by Director Bunch to follow staff's suggestion to use fixture count to determine actual EUs and that the results be reported back to the Board, and that meanwhile the individuals would not be required to pay their raw water charges due until the results were

heard and a decision was made by the Board. The motion passed 3-1 with Director Vega opposed.

Consideration of Requests for Refund of Water Resource Fee

The Directors discussed letters of request from two individuals for consideration of refund of the water resource fee. Cindi Galabota, representing one of the petitioners, Habitat for Humanity, made a brief presentation and request to the Board. The Directors discussed the legal ramifications of this decision as it related to the equity and merit of the fee. A motion was made by Director Vega and seconded by Director Bunch to refund the fees to both petitioners. The motion failed 2-2 with Directors Hartvigsen and Chacey opposed.

Consideration of Resolution Advocating Voter Opposition to Amendment 60, Amendment 61 and Proposition 101

The Directors discussed the resolution at length. A motion was made by Chairman Hartvigsen and seconded by Director Bunch that the Board strongly encourage the voters within the District and the community to research and investigate these ballot initiatives [Amendments 60 and 61 and Proposition 101] and to vote in the November election. The motion passed unanimously. A motion was made by Director Vega and seconded by Director Bunch to direct the District Manager to ask the law firm of Collins, Cockrel and Cole to not charge the District for their memo containing the resolution template. The motion passed 3-1 with Chairman Hartvigsen opposed.

Consideration of Indemnification Resolution

The Board discussed the indemnification resolution. The Directors were concerned about the length of the resolution and felt it could be substantially simplified for the express purposes they required. By consensus, the Board directed the District Manager to inform the attorneys that the Board finds the resolution unacceptable because they felt it is lengthier and wordier than need be and it restates law that does not need to be restated. They also directed the District Manager to request a simplified resolution and to ask the attorneys to provide their reasons if they believed an indemnification document only meant to fill in any gaps in the state law could not be more simplified.

Consideration of Recruitment of District Manager

Director Bunch, a member of and on behalf of the District Manager search committee, requested direction from the Board at large on certain questions faced by the committee, primarily concerning the desired level of Board involvement in the process. The Directors agreed that the Board would become involved in the interview process after the search committee had narrowed the candidates to their top three. The Directors also discussed a budget for candidates' travel for interviews. They agreed to withhold this decision until, if necessary, a later date, given the unknown nature of the geographical area from which the top candidates would hail.

Following this discussion, a motion was made by Director Vega and seconded by Director Chacey to ratify the search committee consisting of Directors Bunch and Chacey and staff members Michelle Peterson and Carrie Weiss. The motion passed unanimously. Ms. Weiss noted that she would not be on the search committee after August 31. A motion was made by Director Vega and seconded by Director Chacey to approve the revised Letter of Engagement

with EMS Consulting Services and authorize the President to sign, and to adopt the timeline of tasks. The motion passed unanimously.

The Directors considered the resolution approving the job search goals recommended by the search committee for a District Manager. Following discussion regarding the necessity of the resolution, a motion was made by Director Chacey and seconded by Director Bunch to adopt the resolution. The motion passed unanimously. The Board directed the District Manager to express concern to the attorneys regarding why the document had been prepared without express request by the Board.

Public Outreach

Sheila Berger stated that because she had provided a report to the Board a week and a half ago, she did not have anything new to report regarding public outreach.

Personnel Matters

Manager Carrie Weiss informed the Directors that two positions had been filled, one being the Account Specialist position by Janet Campuzano and the other being the Special Projects Manager by Renee Lewis. Ms. Weiss assured the Board that during the transition of new employees, including her, nothing would be allowed to significantly impair the District but that some things may have to go on the back burner.

Executive Session

A motion was made by Chairman Hartvigsen and seconded by Director Bunch to enter into Executive Session at 10:28 p.m. for the purposes of discussing personnel matters pursuant to Section 24-6-402(4)(f), C.R.S. The motion passed unanimously.

The Directors returned to open session at 11:05 p.m.

Other Business

Director Vega moved to pay Assistant District Manager Michelle Peterson, who will serve as interim District Manager, an interim manager bonus of \$900 per pay period from now until a replacement District Manager is on the job and one complete pay period thereafter. The motion was seconded by Director Bunch and passed unanimously.

A motion was made by Director Vega and seconded by Allan Bunch that the search/selection committee (for District Manager) be expanded to add a citizen that served on the Archuleta County Executive Search Committee. The motion passed unanimously.

There being no further business to come before the Board, the meeting was adjourned at 11:15 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer

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

NOTICE IS HEREBY GIVEN that a Work Session and Regular Meeting of the Board of Directors of the Pagosa Area Water and Sanitation District have been scheduled for Tuesday, September 14, 2010, at 5:30 p.m. and 6:30 p.m. respectively. The Work Session and Regular Meeting will be held at the District's administrative office located at 100 Lyn Avenue, Pagosa Springs, Colorado. The proposed Agenda is as follows:

1. Call to Order
2. Approval of Consent Agenda
 - Minutes – 08/09/10 Special and 08/10/10 Regular Meetings
 - Projects Update
 - Services Agreements:
 - a) Lisa Dermody
 - b) EMS Consulting Services
 - Archuleta County Assessor – Preliminary Certification of Assessed Values
 - 2011 Budget and Amendment of 2010 Budget – Compliance Calendar
3. Public Comment
4. Discussion regarding Board Vacancy due to Bob Huff's Resignation
5. Report on Village Lake Repairs and Request from Pagosa Lakes Property Owners Association
6. Update on Memorandum of Understanding with the Archuleta County Board of County Commissioners
7. Review 10 Year Cash Flow Forecast Assuming No Growth
8. Consideration of Annual Review of Capital Investment Fees
9. Ratify Obtaining Legal Opinion of Legality of Water Resource Fee
10. Consideration of Request for Refund of Water Resource Fee
 - a) David and Kathleen Douglas
 - b) Darryl Evans
11. Ratify Resolution Nominating Carrie S. Weiss for Special District Association 2010 Distinguished Manager Award
12. Ratify Employment Separation, Release and Settlement Agreement
13. Report on Fixture Count Meter Sizing Worksheet related to Request for Consideration of Raw Water Irrigation Fees
 - a) Ann Marie Castor
 - b) Lynne Killey
14. Update on Bylaws Review by Legal Counsel
15. Consideration Bid Procedure for 2011 Main Line Extension Contract
16. Consideration of Indemnification Resolution
17. Consideration of Proposal from Briliam Engineering for Water Quality Needs
18. Consideration of Authorized Signers on District Funds
19. Any Other Business Brought Before the Board Will Be Duly Considered.

PAGOSA AREA WATER AND SANITATION DISTRICT

By /s/ Shellie Peterson

For the Board of Directors

SEAL

RECORD OF PROCEEDINGS PAGOSA AREA WATER AND SANITATION DISTRICT SEPTEMBER 14, 2010 REGULAR MEETING

Attendance

The following Directors were present: Steve Hartvigsen, Windsor Chacey, Allan Bunch and Roy Vega. In attendance from staff were: Shellie Peterson, Gene Tautges, Gregg Mayo and Renee Lewis. Also present were Al Bledsoe (telephonically), Jan Clinkenbeard, John Ranson, Bruce Dryburgh, Glenn Robinson, Steve Van Horn, Chalyn Fitzgerald, John Huft, Bob Hart, Cynda Green, Fred Ebeling, Chuck McGuire, Bill Hudson, John Ramberg, George and Judy Esterly, and Pat Alley.

Call to Order

The Regular meeting of the Pagosa Area Water and Sanitation District (PAWSD) was called to order by Chairman Steve Hartvigsen at 6:30 p.m. on September 14, 2010.

Disclosure of Potential Conflicts of Interest

Windsor Chacey had previously submitted a Disclosure as a Board Member for the District and as member of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that this disclosure be restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Approval of Consent Agenda

The Directors considered the Consent Agenda. Director Vega suggested changes to the wording of the Disclosure of Potential Conflicts of Interest section of the Regular meeting minutes of August 10, 2010. A Projects Update was reviewed and discussed at length with Projects Manager, Gregg Mayo. Chairman Hartvigsen inquired into the status of the Hatcher Water Treatment Plant Change Order #3, and this was discussed at length. The Services Agreements with Lisa Dermody and ESM Consulting Services were also discussed. A motion was made by Director Bunch and seconded by Director Vega to strike paragraph #7 of the ESM Service Agreement regarding insurance and to issue ESM the revised Service Agreement for signature, unless Eric Marburger typically carried that level of insurance coverage. The motion passed unanimously. The Directors reviewed the Archuleta County Assessor's Preliminary Certification of Assessed Values and the 2011 Budget and Amendment of 2010 Budget Compliance Calendar. A motion was made by Director Chacey and seconded by Director Bunch to approve the Consent Agenda with the changes to the Regular meeting minutes as noted. The motion passed unanimously.

Public Comment

Chairman Hartvigsen asked if there were any public comments. Public comments were heard by Chuck McGuire regarding the possibility of a search for alternative legal counsel in the Pagosa Springs area and if such a search was done, would it preclude using the Collins Cockrel & Cole firm completely. Comments were also heard by Bill Hudson, Judy Esterly, John Ranson, and Bruce Dryburgh regarding the Weiss bank rating report and the possible impact on PAWSD accounts with certain local banks.

Discussion regarding Board Vacancy due to Bob Huff's Resignation

Director Hartvigsen read Bob Huff's resignation letter to the Directors. The appropriate manner to fill the vacancy was discussed at length. Chairman Hartvigsen suggested offering the position to the three remaining candidates from the previous election. Directors Vega and Bunch suggested the position be offered only to the Community Water Supply Planning Group (CWSPG) members. Director Chacey suggested the Board fill the vacancy by offering the position to the public thereby allowing those in the

CWSPG and interested members of the public to apply. A motion was made by Director Chacey and seconded by Chairman Hartvigsen to reach out to the community by advertising the vacancy. The motion failed 2-2 with Directors Vega and Bunch opposed. A motion was made by Director Vega and seconded by Director Bunch to seek qualified and interested candidates from within the CWSPG over the next 48 hours first, and if that failed to result in a selection by at least three of the four remaining directors, then that the vacancy be advertised. The motion failed 2-2 with Director Chacey and Chairman Hartvigsen opposed.

Report on Village Lake Repairs and Request from Pagosa Lakes Property Owners Association (PLPOA)

PLPOA representative, Larry Lynch, reported on the Village Lake dam repairs stating that they expect the repairs to be completed this fall using the "cure in place" method that would not require completely draining the lake. PLPOA also submitted a letter to the Board requesting that PAWSD allow for a parcel of land located near the Highland's Lagoon remediation project to be donated to PLPOA for the purposes of a trailhead with parking area. A motion was made by Director Vega and seconded by Director Chacey to agree to lease possibly a certain area for a trailhead and parking area with indemnification to hold harmless, no permanent improvements, and subject to the remediation schedule for Highland's Lagoon. The motion passed 3-1 with Director Bunch opposed. A motion was made by Director Vega and seconded by Director Bunch to have the PLPOA attorney draw up the necessary legal agreements for the Board's review. The motion passed unanimously.

Update on Memorandum of Understanding (MOU) with the Archuleta County Board of County Commissioners

Interim District Manager, Shellie Peterson, informed the Directors that she had not received any new information regarding the status of the MOU from the County Commissioners or Todd Starr. The Directors discussed and agreed that they would need to review any new information before it was presented to the Board's attorney.

Review 10 Year Cash Flow Forecast Assuming No Growth

Shellie Peterson and Al Bledsoe (telephonically) presented the 10 Year Cash Flow Forecast Assuming No Growth (copy attached) to the Directors. This Forecast was prepared for PAWSD to assist in the evaluation of the current and projected ability of the District to service its existing level of debt, and the resulting level of projected cash reserves available to carry forward beyond the scope of this Forecast. It is anticipated that this Forecast will guide the District's Board in their planning efforts and increase the level of confidence held by the Archuleta County Board of County Commissioners and the community as a whole. The Board directed that continuing efforts should be to develop a work-plan to address each of the recommendations and that the Forecast recommendations be put on future agendas as on-going business. A motion was made by Director Bunch and seconded by Director Vega to share the 10 Year Cash Flow Forecast Assuming No Growth with the CWSPG and post the document on the website. The motion passed unanimously.

Ratify Resolution Nominating Carrie S. Weiss for Special District Association 2010 Distinguished Manager Award

A motion was made by Director Bunch and seconded by Director Chacey to ratify the resolution nominating Carrie S. Weiss for Special District Association 2010 Distinguished Manager Award. The motion passed unanimously.

Ratify Employment Separation, Release and Settlement Agreement for Carrie S. Weiss

A motion was made by Director Bunch and seconded by Chairman Hartvigsen to ratify the execution of the Employment Separation, Release and Settlement Agreement for Carrie S. Weiss. The motion passed unanimously.

Consideration of Request for Refund of Water Resource Fee – Douglas and Evans

A motion was made by Director Bunch and seconded by Director Vega with discussion to refund the Douglas' and Evan's amounts paid on the Water Resource Fee. Director Vega expressed concern that the Water Resource Fee has been unfairly and inequitably applied, and that the Board ought to address this issue immediately. The motion failed 2-2 with Director Chacey and Chairman Hartvigsen opposed.

Consideration Bid Procedure for 2011 Main Line Extension Contract

A motion was made by Director Bunch and seconded by Director Chacey to accept Hart Construction's letter of commitment to contain pricing at the same level as awarded for the 2010 construction season. The motion passed unanimously.

Consideration of Indemnification Resolution

A motion was made by Director Vega and seconded by Director Bunch to adopt the re-drafted Indemnification Resolution (copy attached). The motion passed unanimously.

Consideration of Proposal from Briliam Engineering for Water Quality Needs

The Directors considered a response from Patrick O'Brien for a proposal to evaluate the amount of area that should be provided to buffer a raw water supply noting Mr. O'Brien's position that such a proposal is not feasible without identifying a specific source water protection watershed or assessment area.

Consideration of Authorized Signers on District Funds

Shellie Peterson expressed to the Directors the need to change authorized signatures recognizing the retirement of Carrie S. Weiss and also the resignation of Director Huff. She suggested that the Board authorize her to collect the various signatures as soon as the Board vacancy was filled and also to remove Director Vega from the list of authorized signatures per his request. Chairman Hartvigsen directed staff to do what is necessary to obtain the required signatures.

Update on Bylaws Review by Legal Counsel

A motion was made by Director Vega and seconded by Director Bunch to waive attorney-client privilege allowing for discussion of the Bylaws Review by legal counsel. The motion passed 3-1 with Director Chacey opposed. Chairman Hartvigsen stated that he will contact the Board's legal counsel regarding this Bylaws Review, specifically language pertaining to bidding local preference, and report back to the Board.

Ratify Obtaining Legal Opinion of Legality of Water Resource Fee

A motion was made by Chairman Hartvigsen and seconded by Director Chacey to ratify the phone poll which was taken to authorize legal counsel costs to prepare the memo regarding the legality of the Water Resource Fee as was requested by the CWSPG. The motion passed unanimously.

A motion was made by Director Vega and seconded by Director Bunch to waive attorney-client privilege in order to discuss the memo regarding the legality of the water resource fee. The motion passed 3-1 with Director Chacey opposed. A motion was made by Director Bunch and seconded by Director Vega to share the memo regarding the water resource fee with the CWSPG. Director Vega expressed his concern with the Board's legal counsel's opinion on the legality of the water resource fee. Interim District Manager, Shellie Peterson, highlighted the fact that six other Special Districts in the state have similar fees. It was a consensus of the majority of the Directors that an additional legal opinion ought to be sought. A motion was made by Director Bunch and seconded by Director Vega to share travel expenses for an additional legal opinion by Jenny Russell. The motion passed 3-1 with Director Chacey opposed.

Other Business

Interim District Manager, Shellie Peterson, provided the Directors with an update on the potential candidates for the District Manager position. She also provided the Directors with a letter from the Lavertys memorializing the hold on negotiations at this time. Finally, she directed the Board's attention to the Collins Cockrel & Cole response letter regarding alternative billing. Chairman Hartvigsen directed Mrs. Peterson to list Interim District Manager as her current title in order to receive the credit she deserves. A motion was made by Chairman Hartvigsen and seconded by Director Bunch to table the remaining items on the agenda, #8, 13, and 14. The motion passed unanimously.

There being no further business to come before the board, the meeting was adjourned at 11:05 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer

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

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 Tuesday, September 28, 2010, at 6:30 p.m. The Special Meeting will be held at the District's administrative office located at 100 Lyn Avenue, Pagosa Springs, Colorado. The proposed Agenda is as follows:

1. Call to Order
2. Public Comment
3. Presentation of Community Water Supply Planning Group Reports
4. Progress Report Regarding ESM Consulting Services Recruitment of District Manager
5. Consideration of District Bylaws
6. Consideration of Annual Review of Capital Investment Fees
7. Report on Fixture Count Meter Sizing Worksheet related to Request for Consideration of Raw Water Irrigation Fees
 - a) Ann Marie Castor
 - b) Lynne Killey
8. Any Other Business Brought Before the Board Will Be Duly Considered.

PAGOSA AREA WATER AND SANITATION DISTRICT

By /s/ Shellie Peterson
For the Board of Directors

SEAL

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
SEPTEMBER 28, 2010 SPECIAL MEETING

Attendance

The following Directors were present: Steve Hartvigsen, Windsor Chacey, Allan Bunch and Roy Vega. In attendance from staff were: Shellie Peterson, Gene Tauges and Renee Lewis. Also, present were Diane Bower, Jan Clinkenbeard, John Ranson, Clifford Lucero, Robert Moomaw, Bruce Dryburgh, Glenn Robinson, Steve Van Horn, Chalyn Fitzgerald, John Huft, Cynda Green, Fred Ebeling, Bill Hudson, John Ramberg, Dusty Pierce, Jan Jorgenson, Val Valentine, Jim Smith, George Esterly and Ray Finney.

Call to Order

The Special meeting of the Pagosa Area Water and Sanitation District (PAWSD) was called to order by Chairman Steve Hartvigsen at 6:30 pm on September 28, 2010. Chairman Hartvigsen stated that due to some inappropriate comments that came out during the September 14, 2010 Regular meeting, he would like everyone in the room to agree to follow the PAWSD Board of Director's Ground Rules as posted in the meeting room.

Disclosure of Potential Conflicts of Interest

Windsor Chacey had previously submitted a Disclosure as a Board Member for the District and as a member of the Board of Directors for the San Juan Water Conservancy District. The Board noted, for the record, that this disclosure be restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Public Comment

Chairman Hartvigsen opened the meeting to public comment. George Esterly stated that he would like to hear an update on whether the Public Deposit Protection Act (PDPA) is strong enough to protect the PAWSD accounts in certain local banks. Chairman Hartvigsen responded by asking Interim District Manager, Shellie Peterson, and Director Chacey if they would like to address this comment. Mrs. Peterson stated that she and Director Chacey had met with representatives of Citizens Bank of Pagosa Springs and First Southwest Bank, and she believed they received enough information to be comfortable with the protection available under the FDIC ratings and the PDPA at this point. Mrs. Peterson also stated that she plans to continue to look into this matter. Director Chacey added that many of the foreclosures are actually selling for more than what the bank had marked loan values down to due to the uniqueness in the Pagosa Springs area. She also stated the banks are making money on banking operations, and there are enough pledged collateral in place to cover the PAWSD accounts. Director Vega stated that he would like to see PAWSD checking on the level of collateralization being pledged by both banks at least every thirty days due to the volatility of the bond market. He would also like to see the exact percentage exceeding PDPA minimum limits of collateralization for both banks as soon as possible. Mr. Esterly expressed his desire to see the finance policy of PAWSD. Mrs. Peterson stated she would be happy to provide these documents.

Presentation of Community Water Supply Planning Group Reports

Chairman of the Community Water Supply Planning Group (CWSPG), Bruce Dryburgh, introduced himself to the PAWSD Board of Directors, and asked that all of the members of the CWSPG do the same. Jan Clinkenbeard presented for Subcommittee #2 a report entitled Population Forecast for Archuleta County (copy attached). The report included population forecast models for Archuleta County spanning out to 2055, and compared the Subcommittee's estimates with that of the State and the Steve Harris report from February 2009. The CWSPG report concluded that in light of the current population, Steve Harris' February 2009 estimates were very high, and recommended that PAWSD review the population numbers each year and make adjustments on at least a five year basis. Chairman Hartvigsen asked how the group arrived at its percentages. Bruce Dryburgh, also a member of Subcommittee #2, responded the Subcommittee believed jobs to be an important variable in determining population percentage forecasts, and no large, job-creating projects are on the horizon for the Pagosa Springs area. Chairman Hartvigsen also asked if the Subcommittee used and/or followed the percentage forecasts from the State Demographer's Office (SDO). Jan Clinkenbeard responded that due to the lack of future new job-creating projects on the horizon for the Pagosa Springs area the Subcommittee believed that population percentage forecasts would be lower than the SDO percentages. However, the SDO percentages were used further out in the forecast. Fred Ebeling asked how the Subcommittee's forecasts would be relevant to PAWSD since the Subcommittee used the Archuleta County population numbers and not all of the people in Archuleta County have PAWSD service. Mrs. Clinkenbeard responded that it was charged with estimating population for the County only and not for PAWSD, but the percentage of the County that is within PAWSD boundaries could be reasonably estimated. Diane Bower inquired whether the Subcommittee accounted for part-time or transient tourist populations, and it was stated the report was based upon the permanent population. Bill Hudson asked how PAWSD arrived at 75% as its estimation of Archuleta County residents who are customers. Shellie Peterson stated that she did not know exactly how that estimate was derived. John Ramberg, also representing Subcommittee #2, presented his report entitled Critical Facts for Addressing Future PAWSD Water Needs (copy attached). The report first provided that prudent

decisions by the PAWSD Board and management action could mean that we will have adequate facilities for the next three decades. Second, these facilities could continue to provide high-quality, low-cost water, rather than high-cost, low-quality water that would be supplied by a large reservoir. Third, following the 2002 water crisis, the amount of treated and sold water flat-lined while the amount of water that was treated and not sold has increased at a rate of 10% per year. Finally, the amount of treated water sold and the total amount of treated water produced per person/per year in 2009 should serve as a planning benchmark for demand forecasts. He also suggested using a proxy variable (e.g., permanent population) in place of variables that are difficult to obtain such as transient tourist or part-time resident populations.

John Huft presented Subcommittee #1's report entitled Report and Recommendation on Water Loss (copy attached). The report stated that in 2009 almost 220 million gallons of treated water were unaccounted for by PAWSD. It is not known if this loss was the result of metering inaccuracies, leaking distribution pipes, and/or unmetered deliveries to water users. This loss amounts to 30% of PAWSD treated water, and according to the 2010 budget PAWSD spends approximately \$600,000 treating water. Considering the 30% loss, that amounts to a loss of approximately \$180,000. Subcommittee #1 proposed a four-part solution. First, PAWSD should purchase two portable strap-on meters, and install them next to existing meters in treatment plants to verify the accuracy of these meters. Second, reading the pump meters at the sub-networks at consistently the same time once a week, and compare the arithmetic total of the pump output, the level change in the tank, and the subscriber meter readings. If there is a discrepancy that is greater than the known meter errors, there could be a leak or unmetered use of water in that sub-network. Third, after the treatment plant meters have been verified, the portable meters can be taken to strategic places in the distribution network. Lastly, when a main is exposed, either to be replaced or upgraded, PAWSD should make it policy to install a fixed meter that is programmed to the AMR system.

Chairman Hartvigsen stated to Operations Manager, Gene Tauges, that when they had previously spoke about water loss the numbers were generally around 20%, but never at 30%. He asked if this came as a surprise, and what is his opinion of the situation. Mr. Tauges stated it is an unacceptable amount. He added that PAWSD staff and the SCADA IT team have been aggressively addressing the situation for two weeks now. He also agreed the best immediate action would be to order the portable strap-on meters, and compare them to the meters in the treatment plants. He further added that draw-downs and looking at the AMR system more closely were other options. Mr. Tauges also stated that in previous water audits PAWSD had used AWWA methodology which allowed for certain assumptions in the metering accuracy data. He speculated that perhaps that is the reason for the difference. Chairman Hartvigsen asked Mr. Tauges his opinion on the cause of the water loss and the Subcommittee's recommendations. He provided that it is most likely a paper loss rather than actual water loss, and that he and Art Holloman, District Superintendent, thought the recommendations are good.

Director Chacey thanked the CWSPG for its presentation, but expressed that she would have liked to have seen citations in the materials. She also stated that some development projects are in the Pagosa Springs area, and this may increase the EUs in the near future. She provided Dutton, Tree Tops, and Mountain View as examples. Director Chacey also complimented John Huft on his report and thanked him for the Subcommittee's recommendations. Chairman Hartvigsen inquired into the cost of the portable strap-on meters and implementation as recommended by Subcommittee #1. Gene Tauges estimated the meters to cost about \$2,200 each. Mr. Tauges stated that Datamatics has a water audit system using sound to detect leaks that would tie into the current AMR system PAWSD already has in place, and a demonstration of that equipment is being requested. Director Vega recommended PAWSD buy quality meters, and also conduct a physical exam of the infrastructure where possible. Chairman Hartvigsen inquired into available funds for purchasing the portable strap-on meters, and Shellie Peterson replied that funding could be made available from monies allocated to the meter replacement and reprogramming program. A motion was made by Director Vega and seconded by Director Bunch to purchase the necessary portable strap-on meters. Mr. Tauges requested permission from the Board to contact Brilliam Engineering to be the consultant on this study. Director Vega suggested looking to an outside engineering firm that could provide a fresh look at the situation, or not hiring an engineering consultant provided John Huft agrees to volunteer his time as a member of the CWSPG. The motion passed unanimously. Chairman Hartvigsen directed staff to query different

consultants, including Briliam Engineering, regarding work on this meter calibration and comparison to water sold study.

Bruce Dryburgh presented the CWSPG recommendations. First, the high population forecast for 2018 is approximately the same as the 2009 projections by Steve Harris for 2010. Second, that PAWSD address the 30% water loss issue before embarking on new storage facilities. Lastly, the CWSPG intends to address lower cost alternatives such as expanding existing storage facilities, and recommends that PAWSD review the CWSPG recommendations before spending any more money on Dry Gulch. Mr. Dryburgh further added that PAWSD should still look at the CWSPG high population estimates because, just as the current economic situation was unforeseen, there may be other factors that would cause differences in the forecast in the future.

Progress Report Regarding ESM Consulting Services Recruitment of District Manager

Shellie Peterson informed the Directors the Executive Search Committee met with ESM Consulting, and requested direction from the Board on how to proceed with candidate interviews and paying for travel expenses. Two of the candidates currently live in Canada and Alaska, but others are within driving distance. The Directors discussed and agreed they would like the Executive Search Committee to review Eric Marburger's summary of the initial candidate interviews before committing to travel expenses.

Consideration of District Bylaws

The Directors discussed the proposed Bylaw revisions in light of the Collins Cockrel & Cole memorandum dated September 7, 2010, and the phone conversation between Chairman Hartvigsen and Evan Ela. Chairman Hartvigsen reported to the Board on his phone conversation with Mr. Ela regarding the "imposing" language provided in the above mentioned memorandum. He stated that Mr. Ela admitted the proposed changes to the Bylaws regarding local preference would not be "imposing" as stated, but recommended that PAWSD not present any appearance of violating any applicable laws by changing the Bylaws as such. The Directors discussed at length retaining the local preference language. Directors Vega and Bunch were comfortable going against the advice of Mr. Ela, but Director Chacey was not comfortable with exposing the District to potential lawsuits due to conflicts with applicable federal laws. Chairman Hartvigsen suggested the Board allow him to wordsmith the language and the Board agreed. A motion was made by Chairman Hartvigsen, seconded by Director Bunch, to accept the Bylaw revisions as recommended by Mr. Ela with the exception of section #14 regarding local preference. The motion passed unanimously.

Consideration of Annual Review of Capital Investment Fees

The Directors discussed at length with Shellie Peterson and Gene Tauges the work done to develop Capital Investment Fee (CIF). Director Vega stated the fee is based on growth and future requirements, and it ought to be paid for by inclusions to the District. He further stated that because he believed the fee was not properly developed, it should be eliminated from the fee structure. A motion was made and seconded by Director Bunch to rescind the CIF. The motion failed 3-1 with Chairman Hartvigsen, Director Chacey, and Director Bunch opposed. Director Chacey disagreed in stating she believed the Board ought to look very carefully at this issue, and she is not prepared to make a decision on eliminating the CIF tonight. Mrs. Peterson provided that much of the reason for the CIF is based on infill of the current District Boundaries as opposed to based upon new inclusions, and that removing the CIF would largely impact the rate payers. Chairman Hartvigsen suggested PAWSD hire an outside consulting firm to revisit the CIF. A motion was made by Director Vega and seconded by Director Bunch to put a moratorium on CIF until PAWSD can develop justification for the fee. The motion failed 2-2 with Chairman Hartvigsen and Director Chacey opposed.

Report on Fixture Count Meter Sizing Worksheet related to Request for Consideration of Raw Water Irrigation Fees by Ann Marie Castor and Lynne Killey

The Directors discussed the residential raw water versus treated water fee structure with Shellie Peterson. Director Bunch stated that under the current structure it would appear that customers may be charged less to irrigate with treated water, and this does not make sense. Mrs. Peterson explained the current structure is calculated on the same basis as the raw water agreement with Pagosa Golf. A motion was made by Chairman Hartvigsen and seconded by Director Chacey to change Ann Marie Castor's fixture count from 4.0 to 2.5, and to change Lynne Killey's fixture count from 2.0 to 1.5. The

motion passed 3-1 with Director Bunch abstaining. Staff was directed to investigate other methods of charging for irrigation water from the reservoirs.

Other Business

Director Vega brought to the Board's attention a PAWSD Board of Director's Resolution dated April 2, 2002 regarding fees. Director Vega expressed his concern about the fairness of only a portion of the past Availability-to-Service Charges, specific to a particular owner, being credited against the CIF. Chairman Hartvigsen suggested that Director Vega give the Board time to review the Resolution and discuss it at the next meeting as old business. The Directors concurred. Shellie Peterson provided the Directors with a memorandum from Special Projects Manager, Renee Lewis, regarding the possibility of uploading the Board meeting audio tapes to the PAWSD website. She also called the Board's attention to materials on the Water 101 workshop being held in Bayfield on October 8, 2010.

There being no further business to come before the board, the meeting was adjourned at 10:30 pm. Respectfully submitted,

Windsor Chacey
Secretary/Treasurer

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

NOTICE IS HEREBY GIVEN that the Regular Meeting of the Board of Directors of the Pagosa Area Water and Sanitation District has been scheduled for Tuesday, October 12, 2010, at 6:30 p.m. The Regular Meeting will be held at the District's administrative office located at 100 Lyn Avenue, Pagosa Springs, Colorado. The proposed Agenda is as follows:

1. Approval of Consent Agenda
 - Minutes – 09/14/10 Regular and 9/28/10 Special Meetings
 - Projects Update
 - Investment Report 9/30/10
 - Financial Statements 9/30/10
2. Public Comment
3. Consideration of Board Vacancy
4. Update and Consideration of Hatcher Water Treatment Plant Contract
5. Consideration of Community Water Supply Work Group Recommendations
 - a) Reports issued 9/29/10
 - b) CWSWG Involvement with Water Rights Evaluation and Rate Study
6. Consideration of Fees and Request for Refund
 - a) Overall Structure of Fees and Charges
 - b) Credit to Offset Availability Charges
 - c) Request from Darryl Evans for consideration of Refund
8. Consideration of District Bylaws
9. Consideration of Investments and Public Deposit Protection Act
 - a) Citizens Bank of Pagosa Springs
 - b) First Southwest Bank
 - c) Colotrust

10. Any Other Business Brought Before the Board Will Be Duly Considered

On-Going Business

1. Development of Work-Plan Regarding Recommendations from the 10 Year Cash Forecast

PAGOSA AREA WATER AND SANITATION DISTRICT

By /s/ Shellie Peterson
For the Board of Directors

SEAL

RECORD OF PROCEEDINGS PAGOSA AREA WATER AND SANITATION DISTRICT OCTOBER 12, 2010 REGULAR MEETING

Attendance

The following Directors were present: Steve Hartvigsen, Windsor Chacey, Allan Bunch and Roy Vega. In attendance from staff were: Shellie Peterson, Gene Tautges, Gregg Mayo, Art Holloman, and Renee Lewis. Also present were Bruce Dryburgh, Steve Van Horn, Glenn Robinson, Ray Finney, John Huft, Jodie Blankenship, Marilynn Bunch, J.B. Smith, Bruce Young, Neil Doherty, Patrick O'Brien, Val Valentine, Cynda Green and Bill Hudson.

Call to Order

The Regular meeting of the Pagosa Area Water and Sanitation District (PAWSD) was called to order by Chairman Steve Hartvigsen at 6:30 pm on October 12, 2010.

Disclosure of Potential Conflicts of Interest

Windsor Chacey had previously submitted a Disclosure as a Board Member for the District and as a member of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that this disclosure be restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Approval of Consent Agenda

The Directors considered the Consent Agenda. Director Vega suggested changes to the content and wording of the September 14, 2010 and September 28, 2010 Regular and Special meeting minutes. A Projects Update was reviewed and discussed at length with Projects Manager, Gregg Mayo. Mr. Mayo also indicated that a change order from Triad for the redesigned split-face cinderblock construction of the lift station enclosure would be available at the next Regular meeting. The Operations Manager, Gene Tauges, presented to the Board an opportunity to participate in a pilot project to address water loss. Chairman Hartvigsen directed staff to move forward with the pilot project as needed, and to keep Subcommittee #1 of the Community Water Supply Work Group (CWSWG) apprised of this project. The September 30, 2010 Investment Report and September 30, 2010 Financial Statements were also reviewed with no comments from the Directors. A motion was made by Director Vega and seconded by Director Bunch to approve the Consent Agenda with the changes made to the Regular and Special Meeting minutes as noted. The motion passed unanimously.

Public Comment

Chairman Hartvigsen asked if there were any public comments. Public comments were heard from J.B. Smith regarding his disappointment in staff knowledge of the Board Member application process. Mr.

Smith also expressed his desire to apply for the Board vacancy, and inquired into whether he would be able to speak to that later in the meeting. Comments were also heard from Bruce Young regarding the previous and current PAWSD backflow protection. He opined that PAWSD should be doing more to increase its backflow protection. Mr. Young also inquired into potential criminal and financial ramifications stemming from an incident that could have involved a backflow incident at the Pagosa Lodge in 2009. Finally, comments were heard from Ray Finney regarding his interest in applying for the Board vacancy. Mr. Finney stated that he received a reasonable response from staff when he inquired about the application process. He also stated that he would like to speak on his behalf, if possible, later in the meeting.

Consideration of Board Vacancy

The Board discussed at length developing an application and interview process for filling the Board vacancy. Chairman Hartvigsen stated, out of fairness, he would like all of the Board Members to interview each of the four candidates, and suggested the Directors develop a few questions for the candidates. The Board was in agreement that they would all like to have the opportunity to interview each of the four of the candidates, and they would develop questions. Director Chacey stated she would like to have been provided with more information from some of the candidates, and the Board should have an application and interview process in place for the future. Chairman Hartvigsen, Director Bunch, and Director Vega agreed to the need to move expeditiously due to the statutory requirements. Director Chacey expressed her concern about potential discrimination issues stemming from not having an equal and appropriate procedure in place for applying for a Board vacancy. Director Vega committed to developing a proposal for the Bylaws that would speak to this issue for future appointments. The Board agreed to meet for a Work Session on October 18, 2010 for the purposes of interviewing candidates for the vacancy.

Update and Consideration of Hatcher Water Treatment Plant Contract

Projects Manager, Gregg Mayo, submitted a memorandum (copy attached), and explained to the Board the recent negotiations and outcome with Weaver General Contracting Co. (WGC) regarding Change Order #3. Mr. Mayo asked the Board for direction on how to proceed following the outcome of the negotiations. The Board directed staff to go forward with Option #2, remove all other miscellaneous change order amounts from Change Order #3 therefore returning just the Pall Corporation contract to PAWSD, as outlined in Mr. Mayo's memorandum. Chairman Hartvigsen requested that minor changes be made to item #2 of that change order to clarify that WGC shall not seek additional overhead and profit attributed to scheduling delays or other issues related to the Pall Corporation. A motion was made by Director Vega and seconded by Director Bunch to authorize the President to sign Change Order #3, dated October 11, 2010, on behalf of PAWSD with the changes as noted to item #2. The motion passed unanimously. Mr. Mayo explained Change Order #4, which reflected the negotiated amount due to additional excavation and fill placed for the lower foundation and footings. A motion was made by Director Bunch and seconded by Chairman Hartvigsen to authorize the President on behalf of PAWSD to sign Change Order #4 dated October 11, 2010. The motion passed unanimously.

Consideration of Community Water Supply Work Group Recommendations

a. Reports issued September 29, 2010

The Work Group Chairman, Bruce Dryburgh, requested clear and detailed direction from the Board following the receipt of its reports on September 29, 2010. The Directors discussed at length the methodology and content of the reports. Director Chacey stated her concern with the methodology of some of the reports. Chairman Hartvigsen stated his concerns with the contents of the reports. A motion was made by Director Vega and seconded by Director Bunch to adopt all of the CWSWG reports as summarized by Chairman Hartvigsen and clarified by the Board for future planning purposes. Chairman Hartvigsen restated the CWSWG recommendations following clarification by CWSWG Chairman, Bruce Dryburgh, and Board Members as the Board ought to consider all three (that is low, mid, and high) population forecasts and include these in future planning, act on Subcommittee #1's report recommendations regarding water loss, agree there has been no increase in water sold since 2002, and that no money be spent on Dry Gulch Reservoir until the Board receives the CWSWG final report, except on commitments for which the District is already contractually obligated. The motion passed 3-1 with Director Chacey opposed.

b. CWSWG Involvement with Water Rights Evaluation and Rate Study

CWSWG Chairman, Bruce Dryburgh, requested clear direction from the Board regarding continued and/or additional tasks to address in the future. Director Chacey stated that she would like to see the CWSWG work on fee comparisons continue, but thought it would be premature to do anything before the budget was completed. She directed staff to continue gathering information on other districts. A motion was made by Director Vega and seconded by Director Bunch to broaden the scope of the CWSWG to include a water rights evaluation as well as considering how the District's expenses compare to other agencies. The motion passed 3-1 with Director Chacey opposed.

Consideration of Fees and Request for Refund

a. Overall Structure of Fees and Charges

Director Vega presented a resolution to the Board entitled Placing a Moratorium on the Water and Wastewater Enterprise Funds (copy attached). The Board discussed the resolution at length. Director Bunch requested the "due to changing circumstances and questionable assumptions" language be omitted. Director Vega stated he would not object to removing the above mentioned language. A motion was made by Director Vega and seconded by Director Bunch to adopt the above mentioned resolution. The motion failed 2-2 with Chairman Hartvigsen and Director Chacey opposed. The Board discussed at length a possible compromise to a moratorium on the Capital Investment Fee. A motion was made by Director Vega and seconded by Director Bunch to rescind the current Water and Wastewater Capital Investment Fee (CIF) assessments pending the adoption of an updated and revised CIF. Furthermore, until such time as a revised CIF can be developed, the District could accept a \$3,000 per Equivalent Unit (EU) deposit for connection to the water system and, where applicable, a \$3,000 per EU for connection to the wastewater system. If the updated and revised CIF calculation resulted in less than the \$3,000 per EU deposit, for the appropriate service connection, the property owner would receive a refund for the difference. In no event, would the property owner be assessed any additional per EU assessment above the original \$3,000 deposit for each type of service requested. The motion passed 3-0. Director Chacey abstained.

b. Credit to Offset Availability Charges

Director Vega presented a resolution to the Board entitled Regarding the Water and Wastewater Enterprise Fund (copy attached). Following a discussion by the Board, a motion was made by Director Vega and seconded by Director Bunch to table the presented motion. The motion passed unanimously. Chairman Hartvigsen directed staff to research the ramifications of approving the above stated resolution.

Other Business

A motion was made by Director Vega and seconded by Chairman Hartvigsen to table the remaining items on the agenda, #6(c), 8, 9(a), 9(b), 9(c), 10, and On-Going Business #1. The motion passed unanimously.

There being no further business to come before the board, the meeting was adjourned at 11:25 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer

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 Wednesday, October 20, 2010, at 6:30 p.m. The primary purpose of the Special 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 subject to negotiation, including Court Case 04CW85, involving both Districts pursuant to Section 24-6-402(4)(e), C.R.S. The Special Meeting will be held at 100 Lyn Avenue, Pagosa Springs, Colorado.

Proposed Agenda is as follows:

1. Call to Order
2. Executive Session Pursuant to Section as Described Above
3. Return to Open Session
4. Consideration of Court Case 04CW85
5. Any Other Business Brought Before the Board Will Be Duly Considered.

PAGOSA AREA WATER AND SANITATION DISTRICT

By /s/ Shellie Peterson
For the Board of Directors

SEAL

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
SAN JUAN WATER CONSERVANCY DISTRICT
MINUTES OF THE SPECIAL MEETING
OCTOBER 20, 2010

Attendance

The following Directors were present:

Representing Pagosa Area Water and Sanitation District: Steve Hartvigsen, Allan Bunch, Windsor Chacey, Roy Vega, and Jan Clinkenbeard.

Representing San Juan Water Conservancy District: Diane Bower, Harold Slavinski, Karen Wessels, Pat Ullrich, Larry Ash and Windsor Chacey.

Also present were: Shellie Peterson, Gene Tautges, Renee Lewis, Evan Ela (telephonically), Bruce Dryburgh, Glenn Robinson, John Huft, Steve Harris, Bill Hudson, Val Valentine, Ray Finney, Jodie Blankenship, Pete Casper and Steve Van Horn.

Call to Order

The Joint Special meeting of the Pagosa Area Water and Sanitation District (PAWSD) and San Juan Water Conservancy District (SJWCD) was called to order by Chairman Hartvigsen at 6:30 p.m. on October 20, 2010. On behalf of PAWSD, Chairman Hartvigsen stated he would like to amend the order of the Agenda to include the appointment of Jan Clinkenbeard as the new Board Member for PAWSD replacing Bob Huff. A motion was made by Director Vega and seconded by Director Bunch to appoint Mrs. Clinkenbeard to the Board for PAWSD for the term expiring 2012. The motion passed unanimously. On behalf of SJWCD, a motion was made by Chairwoman Bower and seconded by

Harold Slavinski to excuse Directors Carrie Weiss and Jack DeLange who called and indicated they were unable to attend. Director Mark Garcia was not excused. The motion passed unanimously.

Disclosure of Potential Conflicts of Interest

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 on the Board of the PAWSD District and a Director on the SJWCD District. The Boards noted, for the record, that these disclosures be restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Executive Session Pursuant to Section 24-6-402(4)(e), C.R.S.

On behalf of PAWSD, a motion was made by Director Bunch and seconded by Director Chacey to enter into Executive Session at 6:39 p.m., pursuant to Section 24-6-402(4)(e), C.R.S., for the purposes of obtaining legal advice from District counsel regarding matters of negotiation with Trout Unlimited, including Court Case 04CW85. The motion passed unanimously. On behalf of SJWCD, a motion was made by Chairwoman Bower and seconded by Director Slavinski to enter into Executive Session at 6:40 p.m., pursuant to Section 24-6-402(4)(e), C.R.S., for the purposes of obtaining legal advice from District counsel regarding matters of negotiation with Trout Unlimited, including Court Case 04CW85. The motion passed unanimously. Chairman Hartvigsen asked District Counsel, Evan Ela, if the recording device should be turned off for the remainder of the Executive Session that Mr. Ela would be participating in. Mr. Ela stated yes it should be turned off during that time.

Return to Open Session

The Directors returned to open session at 8:30 pm. Upon returning to open session, the Boards directed that negotiations with Trout Unlimited pertaining to Court Case 04CW85 move forward within the parameters as discussed in Executive Session.

Consideration of Court Case 04CW85

Community Water Supply Planning Group (CWSPG) Chairman, Bruce Dryburgh, requested that the Boards report on the status of Court Case 04CW85 to the extent legally possible for the benefit of the CWSPG work. Chairman Hartvigsen stated that as the CWSPG was aware PAWSD and SJWCD have been involved in on-going litigation with Trout Unlimited, Court Case 04CWSPG, and the most current court documents are on the PAWSD website. Chairman Hartvigsen further stated that due to Trout Unlimited and PAWSD/SJWCD desire to reach an agreement and Senator Bruce Whitehead's willingness to mediate negotiations, the PAWSD and SJWCD Boards had discussed the parameters for negotiations with Trout Unlimited at a meeting scheduled to be held on November 5, 2010 in Denver, CO. On behalf of SJWCD, a motion was made by Director Slavinski and seconded by Director Wessels to send Chairwomen Bower to the negotiation proceedings on November 5, 2010 with the authority to negotiate within the terms discussed by the Boards in the Executive Session. The motion passed unanimously. On behalf of PAWSD, a motion was made by Director Bunch and seconded by Director Vega to send Chairman Hartvigsen to the negotiation proceedings on November 5, 2010 with the authority to negotiate within the terms discussed by the Boards in the Executive Session. The motion passed unanimously.

Other Business

There being no further business to come before the Boards, the meeting was adjourned at 8:40 pm.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer

Jack DeLange
Secretary

NOTICE
OF
1. SPECIAL MEETING
2. PUBLIC HEARING

NOTICE IS HEREBY GIVEN that a Special Meeting and Public Hearing of the Board of Directors of the Pagosa Area Water and Sanitation District have been scheduled for Thursday, October 28, 2010, at 6:30 p.m. The Special Meeting and Public Hearing will be held at the District's administrative office located at 100 Lyn Avenue, Pagosa Springs, Colorado. The proposed Agenda is as follows:

1. 6:30 p.m. Public Hearing – Consideration of Certification of Delinquent Accounts to County Treasurer
 - a) Letters Received
 - b) Archuleta County
2. Approval of Consent Agenda
Minutes – 10/12/10 Regular meeting
3. Public Comment
4. Consideration of Fees and Request for Refund
 - a) Request from Darryl Evans for Consideration of Refund of WRF
 - b) Credit to Offset Availability Charges
5. Consideration of Request for Payment of Repair/Service of E-one Pump
 - a) Jim Denver
6. Consideration of Request for Payment of Excavation Charges
 - a) Cutting Edge Builders
7. Consideration of Memorandum of Understanding – Archuleta County Board of County Commissioners
8. Update on Investments
9. Report on Backflow Prevention Program
10. Consideration of District Bylaws
11. Any Other Business Brought Before the Board Will Be Duly Considered

On-Going Business

1. Development of Work-Plan Regarding Recommendations from the 10 Year Cash Forecast

PAGOSA AREA WATER AND SANITATION DISTRICT

By /s/ Shellie Peterson

For the Board of Directors

SEAL

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
OCTOBER 28, 2010 SPECIAL MEETING AND PUBLIC HEARING

Attendance

The following Directors were present: Steve Hartvigsen, Windsor Chacey, Roy Vega and Jan Clinkenbeard.

In attendance from staff: Shellie Peterson, Gene Tautges, and Renee Lewis. Also present were Bruce Dryburgh, Glenn Robinson, Steve Van Horn, John Ranson, Clifford Lucero, Neil Doherty and John Huft.

Call to Order

The Special meeting of the Pagosa Area Water and Sanitation District (PAWSD) was called to order by Chairman Steve Hartvigsen at 6:30 p.m. on October 28, 2010. A motion was made by Chairman Hartvigsen and seconded by Director Vega to excuse Director Bunch as he had contacted Interim District Manager, Shellie Peterson, and indicated he would be unable to attend the meeting. The motion passed unanimously.

Disclosure of Potential Conflicts of Interest

Windsor Chacey had previously submitted a Disclosure as a Board Member for the District and as a member of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that this disclosure be restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Public Hearing – Consideration of Certification of Delinquent Accounts to County Treasurer

Chairman Hartvigsen opened the Public Hearing regarding certification of delinquent accounts to the Archuleta County Treasurer at 6:32 p.m. A Resolution to Certify Delinquent Accounts to the County Treasurer (copy attached) was considered. The total amount represented by the detail sheet (copy attached) indicated \$298,006.95 in delinquencies; however, that amount included accounts for which recent payments had been received and which could be removed from the final list submitted to the Treasurer, as long as the payments proved to be good funds. Shellie Peterson provided the notification history for this certification process in that Notices were sent to both primary and secondary addresses in August and October of 2010 to give the account holders an opportunity to avoid certification and additional fees.

- a) Letters Received

Shellie Peterson presented to the Directors the only plea that was received by October 28, 2010, which included payment for the delinquent account (copy attached). She stated that due to the previous certification amount of the balance, she would have to return the check asking the account holder to send a new check for the full certified amount due to Archuleta County (County). PAWSD would then receive its amount due from the previous certification from the County, and any amount in delinquency that was not a part of the previous certification could be paid directly to PAWSD. Mrs. Peterson also suggested to the Directors that in light of the account holder's efforts to pay the delinquent amount in a timely fashion, PAWSD should consider waiving the \$100.00 certification fee, if the above mentioned steps were taken within the next five days.

- b) Archuleta County

Shellie Peterson stated that she had learned from Betty Diller that the timing of current certification process between PAWSD and the County makes it difficult for potential buyers to know if there will be additional charges certified after their purchase of a tax lien. Mrs. Peterson suggested that if the date for certification was moved to about a month earlier, investors would have a more accurate picture. She offered to continue to pursue this possibility for the upcoming certification process.

A motion was made by Chairman Hartvigsen and seconded by Director Clinkenbeard to notify Richard and Johnna Gabriel that PAWSD would return their check so they may issue a new check to the County for the full certified amount and a separate payment to PAWSD for the current past due assessment. The motion allowed that PAWSD would waive the \$100.00 certification fee, if they can do so within the next five days. The motion passed unanimously. Director Vega requested that staff research and report back to the Board regarding the County's assessment of a 30% fee to certifications, and to the possibility of lowering that fee in cases where the property may have more in liens than the property

can be sold for at auction, as well as to assist property owners trying to get their property out of a delinquent status. A motion was made by Director Vega and seconded by Director Clinkenbeard to adopt the Resolution stated above as amended by Director Vega; thereby, certifying to the County Treasurer those amounts that have been delinquent for at least six months and are in excess of \$150.00 for collection in the same manner as property taxes, subject to the accounts that await clearance of payment. The motion passed unanimously. The Public Hearing was closed at 7:00 p.m.

Approval of Consent Agenda

The Directors considered the Consent Agenda. Chairman Hartvigsen suggested changes to the wording of the October 12, 2010 Regular meeting minutes. A motion was made by Director Vega and seconded by Chairman Hartvigsen to approve the Consent Agenda with the changes made to the Regular meeting minutes as noted. The motion passed unanimously.

Public Comment

Chairman Hartvigsen opened the meeting to public comment. None were offered.

Consideration of Fees and Request for Refund

- a) Request from Darryl Evans for Consideration of Refund of Water Resource Fee

Chairman Hartvigsen read aloud Mr. Evans' email to Shellie Peterson, dated October 4, 2010, regarding his request that the Water Resource Fee (WRF) paid be refunded (copy attached). A motion was made by Director Clinkenbeard and seconded by Director Chacey that the request from Mr. Evans for the refund of the WRF he has paid along with any future requests for a refund of the WRF be postponed pending a comprehensive PAWSD Board review of the WRF policy to be completed by February 1, 2011, and further moved the moratorium on the WRF be extended to that date. The motion passed unanimously.

- b) Credit to Offset Availability Charges

Director Vega's Resolution entitled Regarding the Water and Wastewater Enterprise Fund (copy attached) originally presented at the October 12, 2010 Regular meeting was withdrawn pending the presentation of Director Bunch's comprehensive fee restructuring proposal.

Consideration of Request for Payment of Repair/Service of E-one Pump

- a) Jim Denvir

Operations Manager, Gene Tautges, stated that due to the scarcity of homes in this area, a special maintenance procedure has been set in place to ensure that the sewage line is flushed periodically to prevent the low-flow situation from causing problems with E-one pumps. He recommended that Mr. Denvir's request be granted as it was reasonable due to the circumstances of the area. A motion was made by Director Chacey and seconded by Director Clinkenbeard to approve Mr. Denvir's request. The motion passed unanimously.

Consideration of Request for Payment of Excavation Charges

- a) Cutting Edge Builders

Gene Tautges explained to the Directors that due to staff error Cutting Edge Builders over-excavated and their request is to reimburse them for additional costs they incurred. He further stated this is a rare circumstance, and staff will continue to work to avoid situations like this whenever possible. A motion was made by Chairman Hartvigsen and seconded by Director Chacey to approve Cutting Edge Builders' request for payment of excavation charges. The motion passed unanimously.

Consideration of Memorandum of Understanding – Archuleta County Board of County Commissioners

The Directors discussed at length the Consideration of Memorandum of Understanding (MOU) as received from the County Attorney, Todd Starr. A motion was made by Chairman Hartvigsen and seconded by Director Chacey directing staff to make changes as discussed to the MOU, and to redistribute the revised version to the Directors for approval prior to sending the MOU to the District's legal counsel. The motion passed unanimously. Director Vega stated for clarification the District's legal

counsel would only be conducting a substantive review for deviations from the law that may exist in the MOU and not providing comments on Board policies.

Update on Investments

Shellie Peterson provided the Directors with an update on the District's investments (copy attached). She stated that First Southwest Bank is under a heightened mandate to have a 1.20% of collateralization versus the minimum statutory requirement of 1.02%, and as of this Special meeting no further mandates have been issued for either First Southwest Bank or Citizens Bank of Pagosa Springs. Mrs. Peterson stated this heightened mandate could be in place for many reasons, including the level of reserves or questionable assets created by past due loan payments. For the month of September, First Southwest Bank was collateralized at 1.39%, and Citizens Bank of Pagosa Springs was collateralized at 1.49%. Mrs. Peterson also directed the Board's attention to information regarding COLOTRUST should it be interested in diversifying some of the local bank accounts. She stated that currently the District is exclusively invested under COLOTRUST in the Prime fund, which invests only in U.S. Treasury and government agencies. Mrs. Peterson stated that under COLOTRUST the District, if it pleases the Board, could also invest in the Plus+ fund, which also includes U.S. Treasury and government agencies, but also invests in the highest-rate commercial paper. This could include moving the District's investments from the Prime fund to the Plus+ fund, moving funds from accounts in local banks as they mature to the Plus+ fund, or both. She further provided that the COLOTRUST Plus+ fund does carry more risk than the Prime fund. After a lengthy discussion, the Directors agreed they would need more time to review the materials presented before making any decisions. Director Vega requested staff to provide the monthly collateralization reports for the Bank of the San Juans, as well as Citizens Bank of Pagosa Springs and First Southwest Bank.

Report on Backflow Prevention Program

Gene Tautges provided the Directors with a Memorandum regarding the District's past and current Backflow Prevention Program in response to public comment by Bruce Young at the October 12, 2010 Regular meeting (copy attached). He further stated that, contrary to Mr. Young's beliefs, he did not believe the District should pursue legal action against the previous owners or employees of the Pagosa Lodge and that while an opportunity for contamination may have existed it could not be determined that it actually occurred. In response to concerns from Director Vega regarding potential backflow prevention violations and the PAWSD policy on response-time to these potential violations, Mr. Tautges stated he believed it to be based on risk, but would have to research that question and supplement the record for the Board at a later meeting.

Consideration of District Bylaws

Chairman Hartvigsen reported that he had received from the County its local preference procurement policy language. In response to the legal opinion obtained by the District's legal counsel and language found in the County's local preference procurement policy, Director Hartvigsen and Director Vega suggested new language to include in the District Bylaws regarding local preference procurement (copy attached). A motion was made by Chairman Hartvigsen and seconded by Director Vega to adopt the Bylaws including the local preference procurement as presented. The motion passed unanimously. Director Clinkenbeard abstained.

Other Business

Community Water Supply Planning Group (CWSPG) Chairman, Bruce Dryburgh, requested further direction and information from the Board regarding tasks for CWSPG in reference to fees. The Directors agreed to meet in a Work Session on November 3, 2010 with the CWSPG to discuss the re-evaluation of certain fees within the PAWSD fee schedule.

There being no further business to come before the Board, the meeting was adjourned at 9:30 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer

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, November 1, 2010, at 11:00 a.m. The primary purpose of the Special Meeting is for discussions with various candidates for the position of District Manager. The Board of Directors may enter into executive session for the purposes of discussion of matters subject to negotiation, pursuant to Section 24-6-402(4)(e), C.R.S. The Special Meeting will be held at 100 Lyn Avenue, Pagosa Springs, Colorado.

Proposed Agenda is as follows:

1. Call to Order
2. Executive Session Pursuant to Section as Described Above
3. Return to Open Session
4. Selection of Finalists for District Manager Position
5. Any Other Business Brought Before the Board Will Be Duly Considered.

PAGOSA AREA WATER AND SANITATION DISTRICT

By /s/ Shellie Peterson
For the Board of Directors

SEAL

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION
NOVEMBER 1, 2010 SPECIAL MEETING

Attendance

The following Directors were present: Steve Hartvigsen, Allan Bunch, Windsor Chacey, Roy Vega, and Jan Clinkenbeard.

Also present: Eric Marburger.

Call to Order

The Special meeting of the Pagosa Area Water and Sanitation District (PAWSD) was called to order by Chairman Hartvigsen at 11:00 a.m. on November 1, 2010.

Disclosure of Potential Conflicts of Interest

Windsor Chacey had previously submitted a Disclosure as a Board Member for the District and as a member of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for

11. Consideration of Memorandum of Understanding – Archuleta County Board of County Commissioners
12. Investment Update
9. Any Other Business Brought Before the Board Will Be Duly Considered

On-Going Business

2. Development of Work-Plan Regarding Recommendations from the 10 Year Cash Forecast

PAGOSA AREA WATER AND SANITATION DISTRICT

By /s/ Shellie Peterson

For the Board of Directors

SEAL

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
NOVEMBER 9, 2010 REGULAR MEETING

Attendance

The following Directors were present: Steve Hartvigsen, Windsor Chacey, Roy Vega, Allan Bunch, and Jan Clinkenbeard.

In attendance from staff: Shellie Peterson, Gene Tautges, Art Holloman, and Renee Lewis. Also present were: Glenn Robinson, Steve Van Horn, John Ranson, Chalyn Fitzgerald, Jan Jorgensen, Tom Owens, Michael Davis, J.B. Smith, Cynda Green, Jodie Blankenship, and Marilynn Bunch.

Call to Order

The Regular meeting of the Pagosa Area Water and Sanitation District (PAWSD) was called to order by Chairman Steve Hartvigsen at 6:37 p.m. on November 9, 2010. Chairman Hartvigsen presented a letter written by District Counsel, Evan Ela, to Andrew Peternell of Trout Unlimited and Senator Bruce Whitehead regarding a summary of the negotiations held on November 5, 2010. He asked that the contents of the letter be held in confidence until it can be discussed in Executive Session at the December 1, 2010 Joint Special meeting with San Juan Water Conservancy District.

Disclosure of Potential Conflicts of Interest

Windsor Chacey had previously submitted a Disclosure as a Board Member for the District and as a member of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that this disclosure be restated at this time with the intent of fully complying with laws pertaining to potential conflicts of interest.

Approval of Consent Agenda

The Directors considered the Consent Agenda. Director Chacey and Chairman Hartvigsen suggested changes to the October 20 and October 28, 2010 meeting minutes. Operations Manager, Gene Tautges, provided the Projects Update (copy attached) and other updates regarding the water loss pilot project. He stated that staff continues to work with the manufacturer to determine if the product will work with the PAWSD infrastructure and conditions. Director Vega called to the attention of the Board Item #7 of the Projects Update, Ivie sewer inclusion. He stated that PAWSD is requiring the Ivies to go through an unnecessary process when they are already included in the District and he disagreed with Evan Ela on this issue. Chairman Hartvigsen explained Mr. Ela's legal opinion as being that the Ivies are required by law to apply for inclusion into District 1 because it would change the property's mill levy status, but if Archuleta County (County) were willing to proceed with an inclusion without judicial intervention then the District could proceed in the same manner. Following a lengthy discussion, a motion was made by Director Chacey and seconded by Director Bunch to table the issue until the

Board could become more informed on the inclusion process and until such time that Interim District Manager, Shellie Peterson, could speak with the County Assessor. The motion passed unanimously. A motion was made by Chairman Hartvigsen and seconded by Director Bunch to approve the Consent Agenda with the changes made to the meeting minutes as noted. The motion passed unanimously.

Public Comment

Chairman Hartvigsen opened the meeting to public comment. Comments were heard by Jan Jorgensen, Cynda Green, Glenn Robinson, Steve Van Horn, and Chalyn Fitzgerald regarding the future of the Community Water Supply Work Group (CWSWG). J.B. Smith provided comments on the potential for PAWSD to somehow be involved in nine holes of the golf course. Mr. Smith briefly indicated that in light of the economic challenges, this would be a benefit. He stated that he would provide a more detailed proposal in the future.

Consideration of Request for Extension of Moratorium on Water Resource Fee

- a) Mike Davis, Davis Engineering Service

Mike Davis, Davis Engineering Service, submitted a letter to the Board, dated November 2, 2010, (copy attached) regarding a request for an extension of the moratorium on the Water Resource Fee (WRF) for a Senior Living Center project. He presented a brief overview of the plans for the project. Mr. Davis stated that due to the extensive planning process occurring at the County level, the project could incur risk in paying the water connection fees and making the connection prior to the current moratorium expiration date of February 1, 2010 as the County has yet to approve the project. A motion was made by Director Bunch and seconded by Director Vega to extend the WRF moratorium for this specific request by Davis Engineering Service and pertaining only to this specific project until November 1, 2011. The motion passed unanimously.

Consideration of Community Water Supply Work Group Recommendations

The Directors heard comments from Jan Jorgensen, Cynda Green, Glenn Robinson, and Steve Van Horn of the CWSWG regarding the future of the group in light of the current internal challenges. The group's Chairman, Bruce Dryburgh, submitted a letter (copy attached) to the Directors explaining these challenges and requesting direction from the Board. The Directors encouraged the group to reconvene to decide if it could overcome the internal challenges, but that ultimately only the group itself could make those decisions.

Consideration of Property/Liability/Workers Compensation Coverage Competitive Bids

Director Vega called to the attention of the Board the cautionary note contained in the competitive bids package provided by Tom Farber of T. Charles Wilson Insurance Service (copy attached). The note stated that once a Board member is aware of the potential for legal actions against the District, this knowledge must be disclosed to any new carrier. For this reason and because the current policy is the best and most comprehensive coverage available to the District, Director Vega recommended renewing the current policy with Colorado Special Districts Property & Liability Pool with a few revisions. A motion was made by Director Vega and seconded by Director Bunch to renew the District's policy with Colorado Special Districts Property & Liability Pool, but to raise the deductibles in the four categories on the sheet provided by Shellie Peterson and increase the excess liability umbrella coverage to \$2 million. The motion passed unanimously. Finally, Director Vega recommended the District be certain that all proper forms pertaining to personal use of District vehicles be completed. Mrs. Peterson stated she would double check the need for the forms to be completed with Mr. Farber.

Report Regarding Archuleta County Treasurer Fees and Certification Procedures

Shellie Peterson provided the Directors with an update regarding her on-going discussions with the County Treasurer, Betty Diller. Mrs. Peterson stated that she discussed three major topics with Ms. Diller. First, in regards to PAWSD removing 23 accounts from its delinquency list in 2008, at a cost of almost \$250,000 to the District, as requested by the County in 2007, Ms. Diller committed to reviewing this list to see if in fact the fees were removed and the current status of each property. Should a property have been overlooked and the fees remained in place, PAWSD can review with the County how and why this occurred; thus, learning what not to do should the Board ever decide to repeat this process in the future. Second, Mrs. Peterson stated she and Ms. Diller discussed PAWSD certifying earlier in the year to provide investors with a more accurate disclosure of the potential tax liens on

properties. She stated that she and Ms. Diller still needed to work out the details, but would report back to the Board when they had more completely addressed the issue. Lastly, she and Ms. Diller discussed the manner in which any future removal of fees could be more equitable to all of the agencies involved. She stated that Ms. Diller was responsive to the offer and she would report back to the Board on the progress. Mrs. Peterson also brought to the attention of the Board that County Commissioner John Ranson had researched the County's authority to assess a 30% fee on the PAWSD certifications, and it was his opinion that this discretionary authority lie in the County Treasurer's office.

Consideration of Memorandum of Understanding – Archuleta County Board of County Commissioners

Chairman Hartvigsen called to the attention of the Board new changes he had made to the Memorandum of Understanding (MOU) with the Board of County Commissioners of Archuleta County (BoCC). A motion was made by Director Chacey and seconded by Director Clinkenbeard to change the word approval in item #1(c) to concurrence. The motion passed unanimously. A motion was made by Director Bunch and seconded by Director Clinkenbeard to accept all other changes to the MOU as suggested by Chairman Hartvigsen. The motion passed unanimously. Director Vega clarified for the record that the MOU with all the accepted changes will be sent on to the County Attorney and the County Commissioners to see if the current revisions are acceptable. If the County accepted the current revisions, it could be sent to District Counsel for review.

Investment Update

Shellie Peterson provided the Directors with copies of the most current Public Deposit Protection Act (PDPA) reports from First Southwest Bank, Citizens Bank of Pagosa Springs, and Bank of the San Juans (copies attached). For the month of October, First Southwest Bank was collateralized at 1.33%, Citizens Bank of Pagosa Springs was collateralized at 1.33%, and Bank of San Juans was collateralized at 1.09%. She stated that no new provisions had been required of First Southwest Bank. Mrs. Peterson also stated that she is continuing to work with George Esterly to address his concerns regarding the District's investments. The Board agreed the investment updates should be moved to the Consent Agenda for each meeting.

Other Business

Director Vega inquired into whether the Board needed to authorize the President to sign the agency service agreement with T. Charles Wilson. Shellie Peterson stated the District Manager had signed the agreement in the past. A motion was made by Director Vega and seconded by Director Bunch to authorize the President to sign the agency service agreement with T. Charles Wilson. The motion passed unanimously.

There being no further business to come before the Board, the meeting was adjourned at 9:50 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer

NOTICE
OF
1. SPECIAL MEETING
2. PUBLIC HEARING

NOTICE IS HEREBY GIVEN that a Special Meeting and Public Hearing of the Board of Directors of the Pagosa Area Water and Sanitation District have been scheduled for Tuesday, November 30, 2010, at 6:30 p.m. The Special Meeting and Public Hearing will be

held at the District's administrative office located at 100 Lyn Avenue, Pagosa Springs, Colorado. The proposed Agenda is as follows:

1. Approval of Consent Agenda
Minutes – 11/9/10 Regular meeting
Change Order – Triad Western Constructors, Inc.
Case No. 08CW63, Final Consent Decree
2. Public Comment
3. 7:00 p.m. Public Hearing – Consideration of Proposed 2011 Budget
 - a) Consideration of Rate Study, Red Oak Consulting
4. Presentation by Evan Ela, Collins Cockrel & Cole, Water Resource Fees
5. Request for Consideration of Charges – Gwen Bartley

On-Going Business

1. Development of Work-Plan Regarding Recommendations from the 10 Year Cash Forecast

PAGOSA AREA WATER AND SANITATION DISTRICT

By /s/ Shellie Peterson

For the Board of Directors

SEAL

RECORD OF PROCEEDINGS PAGOSA AREA WATER AND SANITATION DISTRICT NOVEMBER 30, 2010 SPECIAL MEETING

Attendance

The following Directors were present: Steve Hartvigsen, Windsor Chacey, Roy Vega, Allan Bunch, and Jan Clinkenbeard.

In attendance from staff: Shellie Peterson, Gene Tautges, and Renee Lewis. Also present were: Glenn Robinson, Bruce Dryburgh, Steve Van Horn, Christina Velarde, Chalyn Fitzgerald, Bill Hudson, Glenn Walsh, Cynda Green, Terry Stringham, Jodie Blankenship, Randi Pierce, Evan Ela, and Janet Santopietro.

Call to Order

The Special meeting of the Pagosa Area Water and Sanitation District (PAWSD) was called to order by Chairman Steve Hartvigsen at 6:40 p.m. on November 30, 2010.

Disclosure of Potential Conflicts of Interest

Windsor Chacey had previously submitted a Disclosure as a Board member for the District and as a member of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that this disclosure be restated at this time with the intent of fully complying with laws pertaining to potential conflicts of interest.

Approval of Consent Agenda

The Directors considered the Consent Agenda. The Directors agreed to table Court Case 08CW63, Final Decree, until District Counsel, Evan Ela of Collins Cockrel & Cole, arrived for the discussion.

Interim District Manager, Shellie Peterson, informed the Board that a Change Order from Triad Western Constructors, Inc. was not available in time for the meeting. A motion was made by Director Clinkenbeard and seconded by Director Bunch to approve the remaining item, November 9, 2010 Regular meeting minutes, on the Consent Agenda. The motion passed unanimously.

Public Comment

Chairman Hartvigsen opened the meeting to public comment. Comments were heard by Terry Stringham regarding a refund of the Water Resource Fee (WRF). Mr. Stringham also submitted a letter (copy attached) to the Board requesting a refund of the WRF that he has paid because he believes it has been unfairly and inequitably applied. A motion was made by Director Vega and seconded by Director Bunch to refund the amount Mr. Stringham has paid for the WRF on the basis for which he requests it. Discussion continued with Director Bunch reiterating that the Board had agreed to not consider any refunds of the WRF until after a comprehensive review of that fee, with a target date of February 1, 2011. Steve Hartvigsen added that Evan Ela would speak to that issue later in the agenda. The motion failed 4-1 with Director Vega in favor.

Public Hearing – Consideration of Proposed 2011 Budget

Chairman Hartvigsen opened the Public Hearing regarding the Proposed 2011 Budget at 7:10 p.m. Director Bunch provided a summary of the Proposed 2011 Budget (copy attached). He explained that operating expenses had undergone a thorough review for efficiencies, and that the 2011 Proposed Budget was also prepared on the basis of a freeze on staff payroll, merit raises, Cost of Living Adjustment (COLA), and a 25% decrease in insurance benefits. Capital projects had also been reduced except for projects that are already funded or currently underway. Director Bunch explained that in order to begin collecting for depreciating infrastructure, and to remain in compliance with existing revenue bond requirements, the 2011 Budget includes a rate increase for Water Service Charges of approximately \$3.50 per month spread over the three rate tiers. In response to questions from the public regarding servicing the debt for the Dry Gulch property, Director Bunch stated this proposed 2011 Budget does not anticipate the manner in which to service the debt for the Dry Gulch property, but does include payments on the accrued interest. Currently, it is anticipated that the first debt service payment would be made in 2012, and the Board is exploring different options for providing a means to fund those payments.

Director Bunch also provided an update on the current status of the Memorandum of Understanding (MOU) with Archuleta County's Board of County Commissioners (BoCC) as being almost complete, and stated this MOU has a clause providing for the BoCC's concurrence with PAWSD rate changes. In honoring the pending MOU, the proposed 2011 Budget, including the projection for a rate increase, has been reviewed with a representative from the BoCC. Shellie Peterson requested direction on posting a public notice regarding the proposed rate increases. Chairman Hartvigsen directed Mrs. Peterson to draft and post said public notice. In response to public comment regarding water loss, Mrs. Peterson stated that an allowance has been made for \$103,750 in the Proposed 2011 Budget to address water loss and the meter replacement program. The Public Hearing was closed at 7:42 p.m.

- a) Consideration of Rate Study, Red Oak Consulting

Shellie Peterson explained that an allowance has been made in the Proposed 2011 Budget for a rate study, and that she has negotiated a proposal with Red Oak Consulting (copy attached) to complete a thorough yet minimal rate study at a cost of \$15,000. A motion was made by Director Bunch and seconded by Director Clinkenbeard to engage Red Oak Consulting at the rate schedule as proposed. The motion passed unanimously.

Presentation by Evan Ela, Collins Cockrel & Cole, Water Resource Fee

District Counsel, Evan Ela, stated that while it is ultimately the Board's decision whether to assess the WRF, it is the position of Collins Cockrel & Cole that the fee is legal as argued in Counsel's letter dated September 10, 2010. He believes the fee to be legal because PAWSD is a Title 32 special district organized under the Special District Act, §§ 32-1-101 through 32-1-1807, C.R.S., and through its Board it is authorized to impose fees, including the WRF. Furthermore, under § 32-1-1001(1)(j)(I), C.R.S., which pertains to all special districts, PAWSD is authorized "to fix, and from time to time to increase or decrease fees, rates, tolls, penalties or charges for services, programs or facilities furnished by the special district;..." "The Board may pledge such revenue for the payment of any indebtedness of the

special district.” Lastly, under § 32-1-1006(1)(g), C.R.S., which pertains specifically to water and sanitation districts, PAWSD is authorized to “fix and from time to time increase or decrease tap fees. The Board may pledge such revenue for the payment of any indebtedness of the special district.” In regards to the supporting case law, there being no case law specifically on-point, the closest decision concerning the imposition of fees to support the expansion of facilities by a Colorado Title 32 special district was issued by the Colorado Supreme Court in *Krupp v. Breckenridge Sanitation Dist.*, 19 P.3d 687 (Colo. 2001). In *Krupp*, a property owner challenged a fee-based exaction imposed by the Breckenridge Sanitation District, which is a Colorado Title 32 special district providing wastewater collection and treatment services. The Breckenridge Sanitation District assessed a one-time plant investment fee on all new development within its boundaries that was “designed to defray the cost of expanding the District’s infrastructure as development increases demand for the District’s services.” *Krupp*, 19 P.3d at 689-691. The amount of the fee was determined according to a schedule developed by the Breckenridge Sanitation District that was based on the projected flow of wastewater for different types of development. There were different rates for single family residences and duplexes, which are generally used year-round, and apartments, townhouses and condominiums, which tend to be used on a short-term rental basis. *Id.* The rate for short-term residential units was higher because such units generally have higher peak wastewater flow due to higher peak occupancies. *Id.*

The Krupps sought to construct a residential townhouse complex with duplexes and triplexes on property they owned within the Breckenridge Sanitation District. *Id.* The Breckenridge Sanitation District calculated the plant improvement fee according to the rate schedule, using a lower rate for the duplex units and a higher rate for the triplex units. *Id.* The Krupps objected to the higher rate, arguing that the lower rate should apply to all of the units, because the duplex and triplex units are substantially the same, and argued further that the assessment was an unconstitutional taking under the *Nollan* and *Dolan* standard. *Id.*

The case was decided by the District Court in favor of the Breckenridge Sanitation District, appealed to the Colorado Court of Appeals (which also found in favor of the Sanitation District), and ultimately was appealed to the Colorado Supreme Court, which rejected the Krupps’ argument that the *Nollan* and *Dolan* standard applies to fee-based exactions. The Supreme Court distinguished *Krupp* from *Nollan* and *Dolan* on two grounds. First, unlike the exactions demanded in *Nollan* and *Dolan*, the plant improvement fee in *Krupp* involved a legislative determination generally applicable to all landowners within the Breckenridge Sanitation District seeking to develop their property, not an adjudicative determination specific to one landowner and one property. *Id.* at 696. The fee schedule used by the Breckenridge Sanitation District was legislatively enacted, and it was not applied on a discretionary, case-by-case basis. Second, unlike the exactions at issue in *Nollan* and *Dolan*, the plant improvement fee was a fee-based exaction, not a possessory (property) exaction. *Id.* at 697. Thus, in Colorado, a legislatively created, generally applicable development fee is not subject to the *Nollan* and *Dolan* standard. Instead, a fee-based exaction is subject to a “rational basis” test, meaning it must be rationally related to a legitimate government interest. *See Id.* at 692; *City of Arvada v. City and County of Denver, Acting by and through its Board of Water Commissioners*, 663 P.2d 611, 614 (Colo. 1983). Evan Ela concluded that it was the opinion of Collins Cockrel & Cole that the WRF is legal because PAWSD developed its fee structure, including its WRF and Capital Investment Fees (CIF), by exercise of its legislative powers utilizing analysis of its projected raw water demands, water treatment demands, and sewage treatment demands. The public legislative adoption process for the WRF and CIF were conducted over several months. The analyses supporting the need for the fees were publically available during much of that time, were discussed at regular, public Board meetings, and were presented at a public meeting held at the PLPOA community building on February 23, 2009. Lastly, the WRF and CIF are applied uniformly throughout the District, and are rationally related to the costs estimated by the District’s staff and consultants based on the best available information at the time for meeting projected water and wastewater service demands.

Request for Consideration of Charges – Gwen Bartley

The Board considered a request by Gwen Bartley for a leak rate adjustment due to a leak that occurred at her residence from September 2, 2010 through September 10, 2010. Mat deGraaf provided a memorandum (copy attached) outlining the District’s current leak rate adjustment policy as requiring that the water volume seeking adjustment must be at least twice as much as average use, must be due to an underground service line (excluding irrigation and yard hydrants), a request must be submitted in

writing, and documentation of repair must be provided. Ms. Bartley's request did not meet all of these requirements; therefore, had been denied at the staff level. A motion was made by Director Bunch and seconded by Director Vega to deny the request. The motion passed unanimously.

Other Business

The Board questioned Evan Ela on language contained in Court Case 08CW63 regarding diligence on certain water rights that seemed far removed from the rights specifically addressed by the final decree for continued diligence and perfection. Mr. Ela stated the relevant case law that is now codified provides that work on any part of an integrated system can qualify as diligence on that which is the subject of the decree. Director Vega stated that he disagreed with the addition of what seemed superfluous information, but in the interest of negotiation he understood the practice.

There being no further business to come before the Board, the meeting was adjourned at 10:15 p.m.

Respectfully submitted,

Windsor Chacey

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 Wednesday, December 1, 2010, at 6:30 p.m. The primary purpose of the Special 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 subject to negotiation, including Court Case 04CW85, involving both Districts pursuant to Section 24-6-402(4)(e), C.R.S. The Special Meeting will be held at 100 Lyn Avenue, Pagosa Springs, Colorado.

Proposed Agenda is as follows:

1. Call to Order
2. Executive Session Pursuant to Section as Described Above
3. Return to Open Session
4. Consideration of Court Case 04CW85
5. Consideration of Alternative Financing/Ownership Dry Gulch Reservoir
6. Any Other Business Brought Before the Board Will Be Duly Considered.

PAGOSA AREA WATER AND SANITATION DISTRICT

By /s/ Shellie Peterson

For the Board of Directors

SEAL

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
SAN JUAN WATER CONSERVANCY DISTRICT
MINUTES OF THE SPECIAL MEETING
DECEMBER 1, 2010

Attendance

The following Directors were present:

Representing Pagosa Area Water and Sanitation District: Steve Hartvigsen, Allan Bunch, Windsor Chacey, Roy Vega, and Jan Clinkenbeard.

Representing San Juan Water Conservancy District: Diane Bower, Harold Slavinski, Pat Ullrich, Carrie Weiss, Larry Ash, and Windsor Chacey.

Also present were: Shellie Peterson, Gene Tautges, Renee Lewis, Evan Ela, Steve Harris, Randi Pierce, Jodie Blankenship, Bruce Dryburgh, Glenn Robinson, Bill Hudson, and Janet Santopietro.

Call to Order

The Joint Special meeting of the Pagosa Area Water and Sanitation District (PAWSD) and San Juan Water Conservancy District (SJWCD) was called to order by PAWSD Chairman Steve Hartvigsen at 6:35 p.m. on December 1, 2010. On behalf of SJWCD, a motion was made by Harold Slavinski and seconded by Pat Ullrich to excuse Directors Karen Wessels and Jack DeLange who called and indicated they were unable to attend. Chairman Hartvigsen asked that due to a request by the public the agenda be changed so that the Executive Session would be moved to the end of the meeting. Members of the SJWCD Board stated the agenda should remain as it was posted. Chairman Hartvigsen and Director Chacey expressed concern that items scheduled for later in the agenda may be able to be discussed more thoroughly if they could be discussed first in Executive Session. Directors Vega and Bunch stated they believed that the convenience of the public should come first. On behalf of PAWSD, a motion was made by Chairman Hartvigsen and seconded Director Chacey to enter into Executive Session at 6:40 p.m., pursuant to Section 24-6-402(4)(e), C.R.S., for the purposes of obtaining legal advice from District Counsel regarding matters of negotiation with Trout Unlimited, including Court Case 04CW85. The motion failed 2-3 with Directors Chacey and Hartvigsen in favor.

Disclosure of Potential Conflicts of Interest

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 on the Board of PAWSD and a Director on the Board of SJWCD. The Boards noted, for the record, that these disclosures be restated at this time with the intent of fully complying with the laws pertaining to potentials conflicts of interest.

Consideration of Alternative Financing/Ownership of Dry Gulch Reservoir

The Boards considered alternatives for the financing/ownership of Dry Gulch Reservoir. On behalf of PAWSD, Director Bunch asked the SJWCD Board to consider a more active participation in the search for alternative methods to fund the debt service resulting from the purchase of property for Dry Gulch Reservoir, and/or a contribution from the SJWCD's reserve funds so that the rate payers of PAWSD did not shoulder the full burden. On behalf of the SJWCD, Chairwoman Bower stated that its Board would not be willing to consider that without first having an opportunity to discuss the issue at its next regularly scheduled meeting on December 13, 2010. Pat Ullrich indicated that he felt that the SJWCD had already made its contribution to the project through its successful application and award of grant funds, and that the debt being financed was accordingly smaller because of that contribution.

Executive Session Pursuant to Section 24-6-402(4)(e), C.R.S.

On behalf of PAWSD, a motion was made by Chairman Hartvigsen and seconded by Director Vega to enter into Executive Session at 7:25 p.m., pursuant to Section 24-6-402(4)(e), C.R.S., for the purposes of obtaining legal advice from District Counsel, Evan Ela, regarding matters of negotiation with Trout Unlimited, including Court Case 04CW85. The motion passed unanimously. On behalf of SJWCD, a motion was made by Harold Slavinski and seconded by Pat Ullrich to enter into Executive Session at 7:26 p.m., pursuant to Section 24-6-402(4)(e), C.R.S., for the purposes of obtaining legal advice from District Counsel, Evan Ela, regarding matters of negotiation with Trout Unlimited, including Court Case 04CW85. The motion passed unanimously. Mr. Ela disclosed that due to the nature of the discussion being matters of negotiation concerning an ongoing litigation, a tape would not be made of this Executive Session.

Return to Open Session

The Boards returned to open session at 8:05 p.m. Upon returning to open session, on behalf of PAWSD, a motion was made by Director Vega and seconded by Director Bunch to authorize District Counsel to prepare a motion for final decree in settlement of Court Case 04CW85 in accordance with the terms and conditions in Counsel's letter dated November 16, 2010 (copy attached), and for the contents of that letter to be made available to the public. The motion passed unanimously. On behalf of SJWCD, a motion was made by Harold Slavinski and seconded by Pat Ullrich to authorize District Counsel to prepare a motion for final decree in settlement of Court Case 04CW85 in accordance with the terms and conditions in Counsel's letter dated November 16, 2010, and for the contents of that letter to be made available to the public. The motion passed unanimously.

Consideration of Court Case 04CW85

Evan Ela summarized the settlement agreement as was provided in his above mentioned November 16, 2010 letter regarding the results of the negotiations with Trout Unlimited. First, the decree will allow for 4,700 ac-ft of new storage coupled with the existing SJWCD 6,300 ac-ft storage right for that project location to provide for a total of 11,000 ac-ft. Second, the decree will specify a total maximum diversion rate of 50 cfs, which can be diverted for direct use, into storage, or in part for both purposes, so as to limit total diversion for the Dry Gulch Project to 50 cfs. Third, in addition to the 11,000 ac-ft storage capacity, the decree will also provide for an 11,000 ac-ft per year refill right, but will be limited by an 11,000 ac-ft per year overall maximum and a 9,300 ac-ft rolling ten-year average. Fourth, the agreement allows for a stream flow condition trigger. The District can only divert if the stream flow, with diversion, is at least 100 cfs from March 1 through August 31 and 60 cfs from September 1 through February 29. Fifth, the water must be for the beneficial use of the PAWSD and SJWCD service areas only, but this agreement recognizes that inclusions and exclusions can occur in the future and allows for outside contracts. Sixth, the agreement mandates that every six years the District will show to the court that it has been exercising due diligence in the development of those rights, and allows the District to also reevaluate water demands. Seventh, should the Dry Gulch Reservoir be developed to the size provided, the District agrees to abandon specifically listed water rights if they are undeveloped at that time. Lastly, the Districts acknowledge that the Water Division 7 has a part in reviewing decrees before it is signed by the water court, and should there be any objections the parties will attempt to work through the objections to reach an agreement.

Other Business

There being no further business to come before the Boards, the meeting was adjourned at 8:15 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer

Jack DeLange
Secretary

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

NOTICE OF REGULAR MEETING

NOTICE IS HEREBY GIVEN that a Regular Meeting of the Board of Directors of the Pagosa Area Water and Sanitation District has been scheduled for Tuesday, December 14, 2010, at 6:30 p.m. The Regular Meeting will be held at the District's administrative office located at 100 Lyn Avenue, Pagosa Springs, Colorado. The proposed Agenda is as follows:

1. Approval of Consent Agenda
Minutes – 11/1/10 and 11/30/10 Special and 12/1/10 Joint Special meeting
Projects Update
Ketchcraft Woodworking Project Estimate – Hatcher Laboratory Millwork
Weaver General Construction Change Order #5
Upcoming Due Diligence – Case # 04CW12
Wall, Smith, Bateman & Associates, Inc. Engagement Letter - Partial Refund of WRF
Investment Update – PDPA Reports
2. Public Comment
3. Consideration of Funding Partnership with the Colorado Department of Water Resources for Maintenance of East Fork Stream Gauge
4. Consideration of Proposed 2011 Budget and Certification of Mill Levies
 - a) Authorization of Partial Refund of Water Resource Fee
5. Consideration of a Joint Committee to Pursue Alternative Funding Mechanisms for CWCB Loan
6. Request for Consideration of Payment Plan Modification – Mike Treadway
7. Request for Consideration of Payment Plan Modification – Seeds of Learning
8. Consideration of 2010 Board of Directors Compensation
9. Annual Report – Infiltration and Inflow Reduction, Prohibitive Discharge Program, Cross Connection Control Program
10. Any Other Business Brought Before the Board Will Be Duly Considered

On-Going Business

2. Development of Work-Plan Regarding Recommendations from the 10 Year Cash Forecast

PAGOSA AREA WATER AND SANITATION DISTRICT

By /s/ Shellie Peterson

For the Board of Directors

SEAL

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
DECEMBER 14, 2010 REGULAR MEETING

Attendance

The following Directors were present: Steve Hartvigsen, Allan Bunch, Jan Clinkenbeard, and Roy Vega.

In attendance from staff: Shellie Peterson, Gene Tautges, and Renee Lewis. Also present were: Glenn Robinson, Bruce Dryburgh, Lyn Dryburgh, Terry Stringham, Steve Van Horn, Bill Hudson, Cynda Green, Glenn Walsh, and Jodie Blankenship.

Call to Order

The Regular meeting of the Pagosa Area Water and Sanitation District (PAWSD) was called to order by Chairman Steve Hartvigsen at 6:40 p.m. on December 14, 2010. A motion was made by Chairman Hartvigsen and seconded by Director Bunch to excuse Director Windsor Chacey who called and indicated she would not be able to attend the meeting. The motion passed unanimously.

Disclosure of Potential Conflicts of Interest

Windsor Chacey had previously submitted a Disclosure as a Board Member for the District and as a member of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that this disclosure be restated at this time with the intent of fully complying with laws pertaining to potential conflicts of interest.

Approval of Consent Agenda

The Directors considered the Consent Agenda. Director Vega stated that language to reflect the District Manager Candidates' request to be interviewed in Executive Session should be added to the content of the November 1, 2010 meeting minutes. Chairman Hartvigsen requested that as part of the description of the settlement with Trout Unlimited in the December 1, 2010 meeting minutes the language "with diversion" should be added to the sentence "The District can only divert if the stream flow is at least 100 cfs from March 1 through August 31 and 60 cfs from September 1 through February 29." Operations Manager, Gene Tautges, provided a District Projects Update (copy attached). The Directors reviewed project estimates from Ketchcraft Woodworking and ISEC Laboratory Furniture & Fume Hoods for cabinet work at the new Hatcher Water Treatment Plant (copies attached). The Directors also reviewed Change Order #5 from Weaver General Construction, Court Case # 04CW12 as provided by District Counsel, Evan Ela, and an Engagement Letter provided by Wall, Smith, Bateman & Associates, Inc. (copies attached). Interim District Manager, Shellie Peterson, provided an Investment Update (copy attached). A motion was made by Director Bunch and seconded by Director Clinkenbeard to approve the Consent Agenda with the changes made to the meeting minutes as noted. The motion passed unanimously.

Public Comment

Chairman Hartvigsen opened the meeting to public comment. Comments were heard from Steve Van Horn regarding PAWSD investment practices. Shellie Peterson remarked that the District routinely seeks bids from all of the local banks whenever a maturity or new investment is placed, but that Bank of Colorado had not been accepting new public funds.

Consideration of Funding Partnership with the Colorado Division of Water Resources for Maintenance of East Fork Stream Gauge

The Directors reviewed a letter and preliminary contract provided by Pete Kasper of the Colorado Division of Water Resources regarding sponsorship of the East Fork of the San Juan River stream gauge (copy attached). Shellie Peterson stated that while Mr. Kasper was unable to attend the meeting, he did wish to convey to the Board his intent to find additional parties to sponsor the East Fork stream gauge. She also stated the San Juan Water Conservancy District (SJWCD) had agreed to contribute up to \$400.00/per year. Following a lengthy discussion, a motion was made by Director Vega and seconded by Director Bunch to not participate in the sponsorship of the East Fork stream gauge as requested. The motion passed unanimously.

Consideration of Proposed 2011 Budget and Certification of Mill Levies

Shellie Peterson presented the 2011 Proposed Budget for the Board's consideration noting the major changes since the November Public Hearing. First, Mrs. Peterson apprised the Directors of the SJWCD decision to participate in the accrued interest on the CWCB loan incurred for the purchase of the property for the Dry Gulch Reservoir, and the benefit to PAWSD by reducing its debt service for 2010 and 2011. The SJWCD payments amount to \$68,680.69 for 2010 and \$20,109.95 for 2011. She clarified, however, that this benefit was largely offset by unexpected expenses that the District has incurred since the last presentation of the entire budget on November 6, 2010. Second, Mrs. Peterson stated the debt service coverage requirement was anticipated to be met at 112% for 2010 and 115% for 2011, and this projection includes the rate increases for 2011 of approximately \$3.50 per equivalent unit/per month for water service. A motion was made by Chairman Hartvigsen and seconded by Director Bunch to adopt the 2011 Budget, to authorize the President to sign all the necessary documents associated with the budget, and to certify the mill levies to the Archuleta County Board of County Commissioners (copy attached). The motion passed unanimously.

- a) Authorization of Partial Refund of Water Resource Fee

Shellie Peterson explained to the Directors the proposed process for refunding part of the Water Resource Fee (WRF) to certain accounts, and the means for having this process approved by the auditors prior to any refund. She further stated that the 2010 Anticipated Budget accounted for up to \$170,000.00 to be refunded in 2010. A motion was made by Director Vega and seconded by Director Clinkenbeard to approve the partial refund of the WRF that was paid in excess of \$5,617.00 not to exceed \$170,000.00. Director Vega clarified for the record that in making this motion he is in no way subscribing to the correctness or legitimacy of the figure \$5,617.00. The motion passed unanimously.

Consideration of a Joint Committee to Pursue Alternative Funding Mechanisms for the CWCB Loan

Director Bunch reported that at the most recent SJWCD Regular meeting that Board agreed to assign a committee to explore other funding mechanisms for the CWCB loan with the hope that PAWSD would also assign a Board Member to that committee. Director Bunch stated that he volunteered to be the PAWSD Board Member for that committee. Director Vega clarified that this committee will not only pursue alternative funding mechanisms, but also the potential disposition of the Dry Gulch Reservoir Project. The Board thanked Director Bunch for his willingness to represent PAWSD in this capacity.

Request for Consideration of Payment Plan Modification by Mike and Rita Treadway

Shellie Peterson provided the Directors with a request from Mike and Rita Treadway regarding an extension of amortization of payments (copy attached). Based on the good payment history and economic situation, she recommended Board approval of said request. A motion was made by Director Bunch and seconded by Director Vega to direct staff to extend the amortization of payments to 34 months for this account. The motion passed unanimously.

Request for Consideration of Payment Plan Modification by Seeds of Learning

Lyn Dryburgh, President of Seeds of Learning, requested consideration by the Board of payment plan modification due to economic challenges at this time. She specifically requested the moratorium that was extended on the WRF until February 1, 2011 be placed on the Seeds of Learning WRF charges. A motion was made by Director Vega and seconded by Director Bunch to extend the WRF moratorium to the Seeds of Learning WRF current portion assessed and readdress those charges during March 2011. The motion passed unanimously.

Consideration of 2010 Board of Directors Compensation

A motion was made by Director Clinkenbeard and seconded by Director Bunch that the current PAWSD Board of Directors should receive no compensation for the year 2010. The motion passed unanimously. Director Clinkenbeard also clarified that the current Board would receive no compensation for the year 2011.

Annual Report – Infiltration and Inflow Reduction, Prohibitive Discharge Program, Cross Connection Control Program

Operations Manager, Gene Tautges, presented to the Board the Annual Report on the Infiltration and Inflow Reduction (I & I), Prohibitive Discharge Program, and Cross Connection Control Program (copy attached). Chairman Hartvigsen inquired into the future costs of the I & I program. Mr. Tautges replied

that costs for the program should decrease for the year 2011, but that this program will be necessary as an on-going project because of the length of time required to televise and repair the entire system. Director Vega inquired into whether the Cross Connection Control Program was under Mr. Tautges direct supervision. Shellie Peterson replied that program is under the auspices of the Operations Manager. Chairman Hartvigsen directed staff to use its best judgment on a case-by-case basis in considering hazard classification and other pertinent facts regarding the Cross Connection Control Program. Mr. Tautges also provided an update on actions taken to address the water loss problem (copy attached). Director Bunch requested that a list of leaks found and addressed be provided to the Board at every Regular meeting in the future. Community Water Supply Work Group Chairman, Bruce Dryburgh, requested that said list also be provided to the Work Group, once approved by the Board.

Other Business

Shellie Peterson brought to the attention of the Board the Reassignment of the Pall Microfiltration Contract Surety Agreement (copy attached). A motion was made by Director Bunch and seconded by Director Clinkenbeard to authorize the President to sign the Reassignment of the Pall Microfiltration Contract Surety Agreement. The motion passed unanimously.

There being no further business to come before the Board, the meeting was adjourned at 9:00 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer