

**MINUTES OF A REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
SOUTH METRO WATER SUPPLY AUTHORITY**

HELD: Monday, December 16, 2013 at 1:00 p.m. at the South Metro Water Supply Authority, 2nd Floor Conference Room, 8400 East Prentice Avenue, Greenwood Village, Colorado 80111.

ATTENDANCE:

The regular meeting of the Board of Directors of South Metro Water Supply Authority ("Authority"), Douglas and Arapahoe Counties, Colorado, was called and held as shown above and in accordance with the applicable statutes of the State of Colorado, with the following directors present and acting:

Ron Redd, Parker Water and Sanitation District
Mark Marlowe, Town of Castle Rock
John Hendrick, Centennial Water and Sanitation District
Heather Beasley, Pinery W&WD, alternate for Mitch Chambers

Also present were: Eric Hecox, SMWSA, Executive Director of the Authority
Rick Marsicek, SMWSA, Director of Engineering
Mikal Martinez, SMWSA, Assistant
Pat Ratliff, Ratliff & Associates
Pat Mulhern, Inverness/Cottonwood, Mulhern MRE
Jim Hunsaker, Spencer Fane & Grimshaw
Kevin Collins, CliftonLarsonAllen LLP
Jack Ostrowski, Castle Pines Metropolitan District
Jim Nikkel, Castle Pines North MD
Mark Harding, Rangeview Metropolitan District
Jason Curl, CH2M Hill
Jon Diebel, CH2M Hill
Amelia Nuding, Western Resource Advocates
Jim Kriss, Carollo Engineers
John Rehring, Carollo Engineers
Mark Scott, GEI Consultants
Catherine Kornbrust, BT Construction
Beorn Courtney, Headwaters Corp.

CALL TO ORDER:

Director Redd noted that a quorum was present for the purpose of conducting a meeting of the Board of Directors and called the meeting of the South Metro Water Supply Authority to order at 1:04 p.m.

APPROVE/REVISE AGENDA:

The Board reviewed the agenda. Upon motion duly made, seconded and unanimously carried, the Board approved the agenda.

PUBLIC COMMENT:

Amelia Nuding, a representative from Western Resource Advocates (WRA), informed the Board of a program that WRA recently sponsored called Land Use Leadership Alliance. The program was four full-day workshops with representatives from surrounding municipalities including Castle Rock and Parker. The focus of the program was to find ways to integrate water efficiency into and with land planning. Amelia asked if the Board would be interested in a future presentation about the program and Director Redd suggested that we might consider a presentation from the utilities that participated in the program.

MINUTES:

Minutes from the November 18, 2013 Board Meeting were reviewed. Upon motion duly made, seconded and unanimously carried, the minutes were approved as presented.

CLAIMS:

Director Redd reviewed the claims presented for payment represented by checks numbered 3844 through 3852. Following Board discussion, upon a motion duly made, seconded, and unanimously carried, the Board approved the claims in the total amount of \$16,251.52. Financial Statements were also presented to the Board. Mr. Hecox commended the Board for spending wisely as there is a surplus from the Budget to carry forward into 2014.

COMMITTEE REPORTS:

Legislative Report – Pat Ratliff provided an update to the Board on a draft legislation written by Senator Roberts from Durango that creates a statewide mandate on the amount of turf allowed for new development. Any water provider receiving any portion of its future water supply from agricultural “buy and dry” would be required to restrict future lawns to 15% of the lot size. Pat contrasted this legislation with the Denver Water’s campaign for legislation to limit retail options to only high efficiency water fixtures. Pat strongly suggested that SMWSA support the Denver Water proposal, establish a position on the matter, and be aware of the momentum of Senator Roberts’ draft legislation. Eric directed the Board to a Technical Memo provided by Denver Water in response to questions asked during the last SMWSA board meeting. John Hendrick stated that he felt there would be no harm in SMWSA supporting the Denver Water proposal for WaterSense legislation. Pat Mulhern suggested that it is a better alternative to the heavy-handed approach to water limitation in Senator Robert’s plan. Eric provided his perspective that the goal of the Roberts' bill reducing outdoor lawn irrigation is a good one, but the problem is with the approach and with the implementation method. The South Metro area has had great success in reducing lawn irrigation through rate structures, water budgets, and innovative tap fee structures. These approaches are more successful than tying lawn

irrigation limits to agricultural transfers. The implementation method of enforcing limits through a water court change case, an already long and arduous process, is not a good approach. Ron Redd stated concerns raised by Parker's board concerning the EPA involvement with indoor water use, considering that newer homes are considered efficient currently. Following Board discussion, upon a motion duly made and seconded to support Denver Water's effort and direct Eric Hecox and Pat Ratliff to work with legislators, the Board voted two in favor and one against with one abstention. Ron Redd voted against and John Hendrick abstained.

CWCB Director Presentation – James Eklund presented information to the Board regarding various state water activities, particularly about the Colorado Water Plan, the Chatfield Reallocation Plan, the loan funding for WISE, Chatfield, and the 2014 Projects Bill, and Colorado River issues. Mr. Eklund stated that more than 85% of the state's population is on the east slope (where South Metro is), but only 15% of the State's water supply naturally originates east of the continental divide. For this reason and many others, a regionally integrated water plan must be created and, fortunately, there have been several years of civic dialogue through the Basin Roundtables that will lend to this plan. The first draft of the plan will come out in 2014. Mr. Eklund said it is an exciting time related to water permitting in the State of Colorado. Because the federal government will look to the State of Colorado for water quality assurance under the Clean Water Act and for assurance in wildlife impact mitigation, the State will frontload those issues so that the permitting process may become more streamlined. December 10, 2014 is the deadline for the Colorado Water Plan first draft. John Hendrick asked if there were any specific thoughts on how to tackle the bottleneck issue in the permitting process and Mr. Eklund responded by saying that the CWCB is working hard to streamline the process at the state level in a number of ways. One example is the permitting occurring with Chatfield Reservoir, which has moved more quickly than other water projects in the State.

Mr. Eklund also presented information and an update on an effort by the State to protect the State's Colorado River compact entitlements. He distributed a memo describing the current situation of Lake Powell and Lake Mead elevations, hydropower levels needed to move water out, and projected year-to-year elevations. Depending upon future hydrology, Lake Powell could drop below minimum power pool and Lake Mead could drop below Las Vegas's in-take. The upper basin states are going through different planning scenarios to prepare for future conditions on the river. Mr. Eklund reiterated that the Colorado Water Plan will help facilitate the discussions surrounding this topic and other issues of interconnectivity not only among water suppliers in the metro area but throughout Colorado.

Eric Hecox thanked James Eklund and the CWCB on behalf of the South Metro Water membership for the inclusion of two major projects into the 2014 Projects Bill that directly benefit SMWSA members.

Attorney's Report – Jim Hunsaker provided an update regarding the Colorado / Wyoming Coalition Participation Agreement, which is based on discussions at the November board meeting and is currently being drafted.

At 2:27pm, the Board and participants took a five-minute break. The meeting reconvened at 2:32pm.

EXECUTIVE DIRECTOR REPORT:

WISE Partnership: Rick Marsicek provided a brief update on the status of the WISE Partnership. The Water Delivery Agreement Amendment has been approved by both Denver Water and Aurora Water, which effectively allows the partnership more time to resolve the two remaining contingencies. The WISE Authority will take action on the WDA Amendment at their board meeting on December 18, 2013. The two remaining contingencies include the Western Pipeline Agreement and the issuance of a permit allowing WISE water to be stored in Rueter-Hess Reservoir.

Chatfield Reallocation Project: Eric Hecox provided an update to the Board regarding Chatfield. The first step in the formal 122.2 process occurred on September 5, 2013 when Colorado Parks and Wildlife staff presented the impacts of the proposed project to the CPW Commission. On November 15 in Lamar, Colorado, the Chatfield participants representatives, which included Randy Knutson of Western Mutual Ditch/Center, Randy Ray from Central Water, Rick McCloud from Centennial W&SD, and Eric Hecox of SMWSA, presented the Mitigation Plan to the CPW Commission. CPW is mostly supportive of the Mitigation Plan and, based on questions from the commissioners and public input, CPW identified four (4) remaining issues. The issues include 1) financial considerations, 2) types of water stored in the reallocation, 3) operations plan as it pertains to the Palmer Drought index, and 4) the environmental pool as mitigation feature. On December 13, 2013 in Pueblo, Colorado, the CPW met to hear an analysis from their staff and take public input. The participants will work with CPW staff between now and their January meeting to resolve the remaining issues. The CPW Commission is schedule to take action on the Fish and Wildlife Mitigation plan at their January meeting in Denver.

On the federal level, the ROD and Draft Director's report is back at headquarters. It has been reviewed at many levels and has not been returned for revision, which is good news. It is moving along and on track for a decision in the beginning of 2014. The Water Storage Agreement is on a separate track and the State and the participants expect comment from the Corps in early 2014, with the hopes of completing the Water Storage Agreement in 2014.

Aquifer Storage and Recovery Pilot Study: Rick Marsicek presented the Board with a memo from CDM outlining the concept to revise the scope of the project. There is approximately \$385,000 remaining in the ASR Study grant. With this in mind, the path forward is divided into five new tasks under the updated concept: 1) meet with entities with ASR projects in the region, particularly Centennial, ECCV, Castle Rock, and Rangeview 2) assist ASR projects in the region to collect and analyze data, 3) inject WISE supplies at an ASR site, 4) develop an economic tool for assessing ASR costs, and 5) draft a report. John Hendrick expressed concern over the lack of specifics in the draft approach memo. Rick responded that he had asked CDM for a general outline of tasks first, and then the detailed scope would be developed

with buy-in on the approach from the Board. Heather Beasley expressed her preference to this approach that takes several member projects and locations for ASR under consideration. Based on feedback from the Board and groundwater group on the tasks and level of effort for each task, staff will work with CDM to revise the scope and amend the CWCB grant.

Colorado/Wyoming Coalition: Eric Hecox provided an update on recent developments of the CO/WY Coalition with regards to a Feasibility Study, which continues to be on hold pending release of the Flaming Gorge model by the Bureau of Reclamation. On December 9, 2013, Coalition representatives held a conference call with Larry Walkoviak, the BOR Upper Colorado Regional Director. The Flaming Gorge model was completed several months ago and has been under peer review, which identified an issue that needed attention. BOR is working on that issue and expects to release the model in January. BOR will keep us informed on the progress and will also meet with Coalition representatives in mid-January to discuss the model. Mr. Walkoviak suggested in the conference call that the Coalition talk with CWCB about recent discussions among the Basin States as they plan for continued declines in Lake Powell levels and how the upper Basin may respond if it drops below power pool.

The Coalition is ensuring the funding is in place to complete the study, which means SMWSA must complete the Participation Agreement and secure contributions by the other Coalition members. Eric Hecox noted that Northern Colorado Water Conservancy District (Northern) has joined the Coalition and contributed to the final phase of the study.

Metro Roundtable / IBCC / State Water Plan: Eric Hecox explained that activities continue related to the Colorado Water Plan, as each Basin Roundtable is creating a Basin Implementation Plan (BIP) that will feed into the state plan. The South Platte and Metro Roundtables are doing a joint BIP and SMWSA is the fiscal agent for this grant. HDR was chosen as the contractor for this work and that contract and scope of work are currently under negotiation. There is a draft scope that will be finalized by representatives from the two roundtables. SMWSA is working on the contract and representatives from the two roundtables are working with HDR to finalize the scope of work. Upon motion duly made, seconded and unanimously carried, the Board voted to authorize the Executive Director to sign the contract upon review and acceptance by staff and council.

SMWSA Master Plan Update: Rick Marsicek reminded the Members to submit information on their current Master Planning efforts to the Authority. CH2M Hill Engineers, Inc. was selected to work with the Authority on the Master Plan. CH2M Hill presented their Master Plan approach to the Board. Jon Diebel and Jason Curl laid out their organizational structure, the team members, and general phased approach to the Master Plan. There was good discussion on the scope items and path forward. Staff and CH2M Hill will incorporate the Board's and Member's comments in the final scope.

Conservation and Education Task from DCWRA and Potential Financing: Eric Hecox reminded the Board that SMWSA and DCWRA have been exploring different possibilities for the region's conservation and education programs, which led to a recommendation that SMWSA pick up certain tasks from DCWRA such as: running the Ambassadors Program, using contract support to assist members with conservation plans and state reporting, expanding our water messaging to include supply projects, and communicating why investing in supply projects is important to our region. In November, staff presented a budget proposal with the C/E activities separate from the general operations budget and near the same amount paid to DCWRA in 2013 (\$10,700/member). It was preferred that the dues be incorporated within the budget according to the established formula of 2/3 split by the large providers and 1/3 split among the small providers; however, there is concern that this will set the precedent that this expense will remain included in the operating budget in the future. Staff suggested the following approach:

- Include the C/E expenses in the 2014 budget and split the costs using the established formula, which will allow SMWSA to complete the transition of those tasks from DCWRA. Since the dues are going down to \$400,000 from \$500,000 as originally suggested, the impact of this approach will be lessened.
- Begin a Participation Agreement for 2015 funding. This gives SMWSA members one year to circulate the P.A. among individual boards and to assess the long-term support for the C/E activities. As a starting point, Eric Hecox recommended the P.A. split the costs with the large providers paying 40% of the budget (10% each or \$16,000 per member) and small providers paying 60% (6% each or \$9,600 per member).

Upon motion duly made, seconded and unanimously carried, the Board voted to approve the following:

- Incorporate the approach presented into the draft 2014 SMWSA budget
- Direct staff to prepare a draft Participation Agreement
- Approve the contract and scope of work for Mark Shively
- Authorize the Executive Director to sign the necessary contracts for the Water Ambassador's program upon review and acceptance by Council and within the authorized budget.

AUTHORITY BUSINESS:

CWCB Thank You Letter – The CWCB approved in November a \$44 million loan for WISE and an \$88 million loan for Chatfield for inclusion in the 2014 Projects Bill. Mitch Chambers suggested that we send CWCB a formal thank you letter signed by our Board members. SMWSA has drafted and will circulate the letter for all Board members to sign.

2014 Meeting Dates – SMWSA meets on the third Monday of every month pending conflicts, so staff recommends that the Board set the following 2014 meeting schedule: 1/27 (moved due to MLK), 2/24 (moved due to President's Day), 3/17, 4/21, 5/19, 6/16, 7/21, 8/18, 9/15, 10/20, 11/17, and 12/15. Upon motion duly made, seconded and unanimously carried, the Board voted to set the recommended 2014 meeting dates.

CLA 2014 Engagement Letter – The 2014 engagement letter for Clifton Larson Allen was presented by Eric Hecox and he recommended approval. Upon motion duly made, seconded and unanimously carried, the Board approved the engagement.

CWC 2014 Annual Convention Sponsorship – Eric reviewed the past several years of sponsorship for the CWC Annual Convention and described them as somewhat irregular from year to year, e.g. in 2011, SMWSA provided a \$1,000 sponsorship, in 2012 it was \$750, and in 2013, SMWSA did not sponsor the event but allowed several participants to attend on its behalf. Eric recommended SMWSA provide a \$250 “Coffee Break” sponsorship. John Hendrick suggested a higher amount and upon motion duly made, seconded and unanimously carried, the Board voted to approve a \$500 sponsorship.

Colorado Water Film Sponsorship – SMWSA was approached by Havey Productions to help sponsor a film on Colorado Water. In October, the Board discussed a possible sponsorship, but decided not to pursue sponsorship at that time. A number of members including Centennial have also been approached for sponsorship. The Board discussed reconsidering a SMWSA sponsorship. The Board asked staff to gather more information, but still did not think a SMWSA sponsorship was appropriate at this time.

2014 Budget Approval – Mr. Hecox distributed and reviewed the proposed 2014 budget. Mr. Hunsaker presented for the Board's consideration a resolution adopting the budget as shown and appropriation of the funds as shown. Upon motion duly made, seconded and unanimously carried, the Board (1) approved and adopted the 2014 budget as presented, (2) authorized the President to sign the necessary documentation, and (3) directed Mr. Hunsaker as attorney for the District to file the 2014 budget with the Division of Local Government prior to January 31, 2014.

EXECUTIVE SESSION:

None.

UPCOMING EVENTS:

- 12/20 – Chatfield Participants Meeting
- 1/8/14 – Metro Roundtable Meeting
- 1/17/14 – CFWE Board Meeting
- 1/29-1/31/14 – CWC Annual Convention

OTHER BUSINESS:

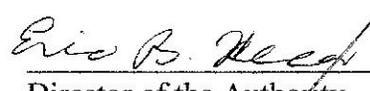
None.

ADJOURNMENT:

There being no further business to come before the Board, upon a motion duly made, seconded and unanimously carried, the meeting was adjourned at 4:05 p.m. The next regularly scheduled board meeting will be held on January 27, 2014 at 1:00pm at 8400 East Prentice Avenue, Greenwood Village, CO 80111.

RECORD OF PROCEEDING

The foregoing minutes constitutes a true and correct copy of the minutes of the above-referenced meeting and was approved by the Board of Directors of the South Metro Water Supply Authority.



Director of the Authority