A special meeting of the Board of Directors of the Upper Eagle Regional Water Authority (Authority) was held November 19, 2015, at 8:00 a.m., in the Walter Kirch Room of the Eagle River Water & Sanitation District (District), 846 Forest Road, Vail, Eagle County, Colorado, in accordance with the applicable statutes of the State of Colorado.

ATTENDANCE

The following Directors were present, thereby constituting a quorum:

Tom Allender, EagleVail Metropolitan District
Geoff Dreyer, Arrowhead Metropolitan District
George Gregory, Berry Creek Metropolitan District

The following Directors were absent and excused:

Todd Goulding, Town of Avon
Jim Power, Beaver Creek Metropolitan District
Mick Woodworth, Edwards Metropolitan District

The following Alternate Director was present:

Pam Elsner, Beaver Creek Metropolitan District
Kara Heide, Edwards Metropolitan District
Sarah Smith Hymes, Town of Avon

Also in attendance were:

ERWSD Staff 28 John McCaulley
Garrett Antill 29 Glen Phelps
Linn Brooks 30 Jeff Schneider
Jason Cowles 31 Brian Tracy
Carol Dickman 32 James Wilkins
Catherine Hayes 33 Consultants
Leslie Isom 34 Jim Collins, Collins Cockrel & Cole
Diane Johnson 35 Glenn Porzak, Porzak Browning & Bushong LLP
Elena Jones

DISCLOSURES OF POTENTIAL CONFLICTS OF INTEREST

The Board noted it had received more than 72 hours prior to the meeting certain disclosures of Potential Conflicts of Interest Statements for the following Directors indicating the following conflicts:

Director Allender disclosed that he is the Director of Resort Planning for Vail Associates, Inc., which has significant land ownership and business interests within the Authority. Also, he is appointed by Vail Associates, Inc. to serve as a Director of both the Eagle Park Reservoir Company and the Clinton Ditch and Reservoir Company; he also serves on the Eagle River Water & Sanitation District Board of Directors, which manages the Authority. Director Goulding disclosed that he serves on the Boards of the Eagle County Health Service District and Vail Mountain Rescue, which have occasional dealings with the Authority. He also disclosed he is the owner of Goulding Development Advisors, LLC, which may have occasional dealings with the Authority and its member districts. Director Woodworth disclosed that he is employed by the Eagle River Fire Protection District, which operates within the Authority’s service area.

CALL TO ORDER

Chairman Gregory called the meeting to order at 8:01 a.m.

ACTION ITEMS

Consideration of Minutes – The minutes of the special meeting of October 22, 2015, were considered. Upon motion duly made and seconded, it was

RESOLVED that the minutes of the October 22, 2015, special meeting be accepted and hereby are approved as amended.

The minutes of the joint special meeting of October 22, 2015, with the Eagle River Water and Sanitation District were considered. Upon motion duly made and seconded, it was
RESOLVED that the minutes of the October 22, 2015, joint special meeting be accepted and hereby are approved as presented.

Public Hearing: 2016 Proposed Rates
Chairman Gregory opened a public hearing at 8:03 a.m. to discuss the 2016 rate sheet, a copy of which is attached hereto as Exhibit A and incorporated herein by this reference. A call for public input solicited no response. Mr. Collins noted the Authority had posted the required formal notice of the public hearing at which the Board would consider a rate change at least 30 days in advance. A copy of the notice is attached hereto as Exhibit B and incorporated herein by this reference. The public hearing was closed at 8:05 a.m. Mr. Wilkins presented a resolution to adopt the 2016 rates, a copy of which is attached hereto as Exhibit C and incorporated herein by this reference. Upon motion duly made and seconded, it was unanimously RESOLVED that resolution to adopt the 2016 rates be and hereby is approved as presented.

PUBLIC HEARING: 2016 Proposed Budget
Chairman Gregory opened a public hearing at 8:06 a.m. to discuss the 2016 budget, a copy of which is attached hereto as Exhibit D and incorporated herein by this reference. A call for public input solicited no response. The public hearing was closed at 8:07 a.m. Mr. Wilkins presented Resolutions to Adopt the 2016 Budget and to Appropriate Sums of Money, copies of which are attached hereto as Exhibits E and F, respectively, and incorporated herein by this reference. After discussion and upon motion duly made and seconded, it was unanimously RESOLVED that the Resolutions to Adopt the 2016 Budget and Appropriate Sums of Money be and hereby are approved as presented.

The 2016 rates for service charges and tap fees are set as follows:

**UERWA Water Service Rates for 2016**

<table>
<thead>
<tr>
<th>Base Rates per Single Family Equivalent:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$16.95 Monthly Base Service Rate</td>
<td>$0.36 increase from 2015</td>
</tr>
<tr>
<td>$3.09 Monthly Debt Service for 2010B Bonds</td>
<td>$0.00 increase from 2015</td>
</tr>
<tr>
<td>$2.58 Monthly Debt Service for 2013A Bonds</td>
<td>$0.00 increase from 2015</td>
</tr>
<tr>
<td>$3.32 Capital Replacement Program Base Rate</td>
<td>$0.07 increase from 2015</td>
</tr>
<tr>
<td>$25.94 Total Base Rate per SFE</td>
<td>2.2% increase from 2015</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Usage Rates per 1,000 Gallons of Metered Water Use:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier One</td>
<td>First 10,000 gallons</td>
</tr>
<tr>
<td>Tier Two</td>
<td>Next 10,000 gallons</td>
</tr>
<tr>
<td>Tier Three</td>
<td>Next 10,000 gallons</td>
</tr>
<tr>
<td>Tier Four</td>
<td>Next 10,000 gallons</td>
</tr>
<tr>
<td>Tier Five</td>
<td>Over 40,000 gallons</td>
</tr>
</tbody>
</table>
ERWSD Wastewater Service Rates for 2016

Water System Impact Fee (formerly plant investment fee): to increase 3.0% effective Jan. 1, 2016

Residential Fees are based on square footage (s.f.)

- 0 – 2,500 s.f. $3.73/s.f.
- 2,501 – 3,500 s.f. $4.59/s.f.
- 3,501 – 5,000 s.f. $5.60/s.f.
- 5,001 s.f. and over $7.18/s.f.

Commercial fees are based on meter flows and fixture counts and will increase 3.0% Jan. 1, 2016.

Major Facilities Policy Rules and Regulations Amendment – Mr. Schneider discussed the major facilities policy adopted by the Board at its October meeting. He noted the Rules and Regulations are proposed updated to align with the new policy and presented a board action request form, updated sections of the Rules and Regulations, and the major facilities policy, copies of which are attached hereto as Exhibits G, H, and I, respectively, and incorporated herein by this reference. In response to a question, Mr. Schneider suggested amended wording in the Rules and Regulations to clarify that the District and Authority will enter into an agreement to work collaboratively with the developer on major facilities construction. After discussion and upon motion duly made and seconded, it was unanimously RESOLVED that the Rules and Regulations be and hereby are approved as amended.

Resolution Designating Use of Eagle County Housing Guidelines as Reference Material for Definition of Affordable Housing – Mr. McCaulley presented a board action request and Resolution Designating Use of Eagle County Housing Guidelines as Reference Material for Definition of Affordable Housing, copies of which are attached hereto as Exhibits J and K, respectively, and incorporated herein by this reference. He noted Eagle County uses formulas and multiple factors in its definition, which is updated at least every two years based on federal and state changes to affordable housing guidelines. In response to a question, Mr. Collins explained that per state statute, affordable housing is the only customer for which a tap fee can be waived and that the Authority has previously determined to not make such waivers, but instead offer qualifying developments the option to defer tap fee payments with interest. He also noted that tap fees for affordable housing are based on square footage and are therefore lower than if tap fees were based on 3,000 square feet per single family equivalent as they were in the past. After discussion and upon motion duly made and seconded, it was unanimously RESOLVED to approve Exhibit K, the Resolution Designating Use of Eagle County Housing Guidelines as Reference Material for Definition of Affordable Housing, as presented.

GENERAL COUNSEL REPORT

Due to a scheduling conflict, Mr. Collins presented his report out of order.

Irrigation and Sprinkler Account Impact Fee Draft Policy – Mr. McCaulley and Ms. Jones discussed a board action request and joint resolution to Authorize a Public Hearing for Adoption of Impact Fees for New Irrigation and Sprinkler Accounts, copies of which are attached hereto as
Exhibit L and M, respectively, and incorporated herein by this reference. Mr. McCaulley said while staff was completing the water system impact fee study this past summer, they discovered that irrigation systems that were independent of any associated structure have a capacity impact to the water supply system for which the Authority and District are not being compensated; thus, the recommended consideration of a new irrigation and sprinkler account impact fee. Mr. McCaulley and Ms. Jones presented a PowerPoint on the topic, a copy of which is attached hereto as Exhibit N and incorporated herein by this reference. The new fee would take into account irrigable area and irrigation intensity, which would be an incentive for developers to reduce irrigated area and utilize drought-tolerant plants. The Board tabled consideration of the Resolution to set a 30-day notice for a rate hearing while staff further refines the policy.

Settlement and Waiver Agreement with Traer Creek Metropolitan District – Mr. Collins discussed the agreement between TCMD and the Eagle River Water and Sanitation District, a copy of which is attached hereto as Exhibit O and incorporated herein by this reference. TCMD is repaying the agreed upon 10% of the cost of an alternative outfall (equal to $42,759.75) that was constructed by the District in 1999 within the Authority’s service area. The system routes effluent from the Avon Wastewater Treatment Plant to a new outfall located within 25 feet of the Avon BPS Intake to avoid the requirement to augment 100% of the intake’s diversions per agreement with the Colorado Water Conservation Board. TCMD requested the Authority acknowledge that it is not due any money for the work described in the agreement. After discussion and upon motion duly made and seconded, it was unanimously RESOLVED that the Authority acknowledge the Settlement and Waiver Agreement with Traer Creek Metropolitan District and the Eagle River Water and Sanitation District.

Lake Creek Wells Update – Mr. Collins said the project is moving forward but the easements are being slightly reconfigured by the engineers, who understand that any changes must be made quickly. An offer was made to the Eagle River Meadows homeowners association. Mr. Collins also noted the co-condemnation resolution was approved by the Edwards Metropolitan District, a copy of which is attached hereto as Exhibit P and incorporated herein by this reference.

Mountain Star Tank Update – Mr. Cowles discussed the tank project, for which geotechnical work is complete and tank design is in progress. The town of Avon and developer Jen Wright each contributed $20,000 for this work. It appears that the total tank cost estimates are decreasing. Project completion is currently expected in 2016. He noted Alpine Engineering is working on the tank design contract and is a well-recognized firm in good standing in the area with a long history of working collaboratively with the Authority and District.

Disclosures of Conflicts of Interest – Ms. Brooks disclosed that her husband, Gary Brooks, and other Alpine Engineering employees are purchasing the company. She also disclosed that
Mr. Brooks was recently elected chairman of the Eagle River Watershed Council, with which the Authority and District have a working relationship and to which each entity contributes funds each year. The Board directed Mr. Collins to draft a policy to ensure transparency for the contract process and to ensure continued use of Alpine Engineering.

**Traer Creek Tank Update** – Mr. Collins updated on the Traer Creek tank, investigation of which is ongoing.

**EXECUTIVE SESSION**
Mr. Collins requested the Board enter Executive Session to receive legal advice regarding the Traer Creek Tank, pursuant to §24-6-402(4)(a)(b) and (e) C.R.S. He asked that no electronic record be made, as the discussion would be entirely privileged attorney-client communications. Upon motion duly made and seconded, it was unanimously

**RESOLVED**

**RESOLVED** to enter the executive session at 8:43 a.m. to discuss attorney-client privileged issues concerning the Traer Creek Tank, pursuant to §24-6-402(4)(a)(b) and (e) C.R.S. with no electronic record created as Mr. Collins opined the contents of the discussion would contain privileged attorney-client communications.*

Mr. Porzak requested the Board continue Executive Session to receive legal advice regarding Colorado River Cooperative Agreement matters, pursuant to §24-6-402(4)(a)(b) and (e) C.R.S. He asked that no electronic record be made, as the discussion would be entirely privileged attorney-client communications. Upon motion duly made and seconded, it was unanimously

**RESOLVED**

**RESOLVED** to continue executive session at 9:20 a.m. to discuss attorney-client privileged issues concerning Colorado River Cooperative Agreement matters, pursuant to §24-6-402(4)(a)(b) and (e) C.R.S. with no electronic record created as Mr. Porzak opined the contents of the discussion would contain privileged attorney-client communications.*

The regular meeting resumed at 9:13 a.m.

**Billing Surcharges** – Mr. Collins said Beaver Creek eliminated its water bill surcharge. He noted the only Authority members that have not done so are the town of Avon and Cordillera Metropolitan District, which is served by the Authority via contract.

**STRATEGY ITEMS**

**Water Demand Management Program** – Mr. McCaulley and Ms. Jones presented the results of the water demand management program pilot study, a copy of which is attached hereto as Exhibit Q and incorporated herein by this reference. The program goals included developing a vision; determining the effectiveness of new water use technologies; and reducing water use/lowering monthly water bills in Mountain Star while still allowing residents to maintain quality landscapes. The initial results were positive, demonstrating a marked reduction in water use for the properties involved in the pilot study compared to those not involved in the Mountain Star area. Staff will continue to track progress at the involved properties for at least two additional...
irrigation seasons. Mr. McCaulley discussed expansion of the pilot program for summer 2016 and
distributed a draft application, a copy of which is attached hereto as Exhibit R and incorporated
herein by this reference. He and Ms. Jones also summarized future program plans, including
development of web resources, addition of a water demand management coordinator position,
and additional conservation strategies.

GENERAL MANAGER REPORT

Operations Report – In Mr. Fessenden's absence, Ms. Brooks presented the operations report,
a copy of which is attached hereto as Exhibit S and incorporated herein by this reference. She
noted ongoing work with the Eagle River Valley mobile home park with the eventual intent to have
it tap into the Authority’s system, and a recent Eagle Mine superfund site tour with parties
affected by the Gold King Mine spill near Durango. Local experts, including Mr. Fessenden,
comprised a panel for the tour attendees.

303(d) Listings – Ms. Brooks shared an update from Ms. Roman that the District supported the
Water Quality Control Division’s recently proposed 303(d) listings with two exceptions. The
District suggested listing the Eagle River segment from Martin Creek through the Gore Creek
confluence for dissolved iron and arsenic since it affects Authority and District treatment
operations. Staff also suggested listing the Eagle River from Berry Creek to Squaw Creek as
provisional rather than on the monitoring/evaluation list since the cause of impairment there is
unknown. Ms. Brooks also noted that an improperly plumbed sewer line that was discharging
wastewater into Gore Creek was traced to the Arrabelle and will be fixed by the Arrabelle shortly.

Gore Creek Strategic Action Plan – Ms. Brooks said the plan is still undergoing review and
refinement by the town of Vail and will be presented to the Authority and District Boards upon
final approval by the town.

Proposed 2016 Meeting Schedule – Ms. Brooks discussed the proposed 2016 meeting
schedule, a copy of which is attached hereto as Exhibit T and incorporated herein by this
reference. She noted a few instances in which meetings will be held on the third Thursday of the
month instead of the fourth to accommodate staff and consultant attendance at Colorado Water
Congress events. The Board agreed on the schedule, which will be formally adopted along with
the meeting place and time and the January 21, 2016 meeting.

Wilderness Update – Ms. Brooks and Mr. Porzak discussed the prior day’s conference call
regarding Rep. Polis’ proposed wilderness bill and the Authority and District’s continued work on
a joint wilderness policy. Discussions with Rep. Polis and other involved parties are ongoing.

FINANCE REPORT

Mr. Wilkins presented his report, a copy of which is attached hereto as Exhibit U and incorporated herein
by this reference.
September Water Sales – Mr. Wilkins discussed the October water sales report, noting that sales were higher than expected.

Development Impact Fee Revenue – Mr. Wilkins discussed the development impact fee revenue report, which shows year-to-date impact fee revenues are more than $400,000 above projections. He expects additional revenues as developers pay fees in 2015 prior to 2016 increases.

Quarterly Financial Report – Mr. Wilkins discussed the report and pointed out revenues in 2015 show the Authority is not operating in a deficit. That trend is expected to continue in 2016. He also noted capital expenditures are not included in general, operational expenditure figures.

REPORT BY COMMUNICATIONS AND PUBLIC AFFAIRS MANAGER

Ms. Johnson presented her report, a copy of which is attached hereto as Exhibit V and incorporated herein by this reference.

Fire Hydrant Communications – Ms. Johnson reported on local government coordination to disseminate information about snow removal around fire hydrants and maintaining cleared spaces. These communications are sent out annually and as reminders after big snowstorms.

Colorado Water Plan – Ms. Johnson noted the plan was delivered to Gov. Hickenlooper that day, with much media attention devoted to the topic. She reminded Directors that many parties were concerned over late additions to the Plan and said the Colorado Water Conservation Board summarized the final changes in an October update that was attached to her report. Ms. Johnson said since the final Plan was just released, it would still need another review.

Authority U: Pipeline Condition Assessment – Mr. Phelps referenced a memo about the recent sewer main assessment project in East Vail, a copy of which is attached hereto as Exhibit W and incorporated herein by this reference. New technology was used that helps to identify pipe defects and other possible sources of inflow and infiltration, which staff is seeking to reduce as it takes up capacity in the wastewater system and could trigger a required costly facility expansion. Mr. Phelps noted the new technology was very effective and corrective projects will be planned based on the findings. He also noted similar technology may be available for water mains that would help detect leaks to reduce water loss and emergency repairs in the Authority’s water distribution system.

Monthly Reports – Monthly reports were acknowledged, including the contract log, October meeting summary, and Authority and District committees list. Copies of the monthly reports are attached hereto as Exhibit X and incorporated herein by this reference.

WATER COUNSEL REPORT

Lake Creek Well Augmentation Plan – Mr. Porzak discussed the augmentation plan and noted a few objectors remained, including the Colorado Water Conservation Board. A January status
conference is set with the water referee and if agreement cannot be reached with all outstanding
objectors, a trial date will be set.

**Forest Service Water Right Directives** – Mr. Porzak discussed recent correspondence
regarding the directives, a copy of which is attached hereto as *Exhibit Y* and incorporated herein
by this reference. He emphasized that the latest revisions underscore the need to pass legislation
to ensure similar directives will not accompany each changing administration.

**State Legislation Update** – Mr. Porzak updated on the state legislation, noting that all involved
groups are nearing agreement on the proposed language, including neutral language regarding
bypass flows. He said the most recent version of the legislation includes language specifying that
the state engineer cannot spend any funds to carry out directives from the federal government
that would reduce the value of any privately owned water rights. Mr. Porzak is hopeful that the bill
will be introduced as soon as the next legislative session begins.

**Unallocated Water Policy** – Mr. Porzak said he updated the policy based on input from the town
of Avon but has not received any feedback from Avon since sending the revised policy. He would
like to bring a final draft to the December meeting for approval.

**Eagle River MOU Projects** – Mr. Porzak updated the Board on recent meetings regarding
proposed ERMOU projects. He discussed involved consultants, who advised the ERMOU parties
that they expect to have meaningful data by the end of the year. Upcoming meetings will be
scheduled to get new staff members up to speed at Aurora and Colorado Springs, as well as to
present findings. Ms. Brooks clarified that prior to project permitting, all ERMOU partners will
need to submit “statements of need” for the water. She reminded directors of the water rights
hydrology model that is still in progress.
ADJOURNMENT

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

Respectfully submitted,

___________________________________
Secretary to the Meeting

MINUTES APPROVED, FORMAL CALL, AND
NOTICE OF MEETING WAIVED

___________________________________
Arrowhead Metropolitan District

___________________________________
Town of Avon

___________________________________
Beaver Creek Metropolitan District

___________________________________
Berry Creek Metropolitan District

___________________________________
EagleVail Metropolitan District

___________________________________
Edwards Metropolitan District

*The undersigned attorney for the applicable Executive Session affirms that the portion of the discussion in Executive Session not recorded constituted privileged attorney-client communications.

___________________________________
Jim Collins, General Counsel

___________________________________
Glenn Porzak, Water Counsel