Eagle River Water & Sanitation District
Board of Directors Meeting
November 17, 2016
MINUTES

A Regular Meeting of the Board of Directors of the Eagle River Water & Sanitation District (District) was held November 17, 2016, at 11:30 a.m., in the District’s Walter Kirch Room, 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:

1. Tom Allender
2. Steve Coyer
3. George Gregory
4. Bill Simmons
5. Frederick P. Sackbauer IV
6. Paul Testwuide

The following Director was absent and excused:

7. Steve Friedman

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:

Directors Allender and Gregory disclosed that they also serve on the Board of the Upper Eagle Regional Water Authority (Authority).

Director Allender also disclosed that he is a former employee of Vail Resorts, which tangentially deals with the Authority and District, as well as being employed part time by SE Group, which does planning and environmental work for Vail Resorts and other ski areas. Director Friedman serves on the Boards of the Beaver Creek Metropolitan District and the Vail Valley Foundation. Director Gregory also serves on the board of the Berry Creek Metropolitan District and occasionally undertakes development and construction activities within the District and Authority service areas. Director Sackbauer is employed by Vail Resorts, Inc., which has significant land ownership and business interests within the District. Director Simmons disclosed that he is the General Manager of the Beaver Creek Metropolitan District, an alternate Authority Director, and serves on the board of the Edwards Metropolitan District. Director Testwuide disclosed that he performs consulting for Vail Resorts, his former employer, owns water rights in two states, and occasionally uses the District’s water counsel, Glenn Porzak, as his personal attorney.

Also in attendance were:

<table>
<thead>
<tr>
<th>District Staff</th>
<th>35</th>
<th>Parker Newbanks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tug Birk</td>
<td>36</td>
<td>Glen Phelps</td>
</tr>
<tr>
<td>Linn Brooks</td>
<td>37</td>
<td>Siri Roman</td>
</tr>
<tr>
<td>Jason Cowles</td>
<td>38</td>
<td>Jeff Schneider</td>
</tr>
<tr>
<td>Carol Dickman</td>
<td>39</td>
<td>Brian Tracy</td>
</tr>
<tr>
<td>Tim Drescher</td>
<td>40</td>
<td>James Wilkins</td>
</tr>
<tr>
<td>Maureen Egan</td>
<td>35</td>
<td>Consultants</td>
</tr>
<tr>
<td>Catherine Hayes</td>
<td>42</td>
<td>Jim Collins, Collins Cockrel &amp; Cole</td>
</tr>
<tr>
<td>Debbie Hoffman</td>
<td>43</td>
<td>Kristin Moseley, Porzak Browning &amp; Bushong LLP</td>
</tr>
<tr>
<td>Diane Johnson</td>
<td>44</td>
<td>Public</td>
</tr>
<tr>
<td>Ali Kelkenberg</td>
<td>45</td>
<td>Lilly Johnson</td>
</tr>
</tbody>
</table>

CALL TO ORDER

Chair Sackbauer called the meeting to order at 12:38 p.m. He noted a work session was held at the Edwards Wastewater Treatment Plant immediately prior to the meeting, during which Directors toured the recently completed Solids Handling Project there. The Board commended staff on the informative tour and the successful completion of the multi-year project.

PUBLIC COMMENT

Chair Sackbauer called for public comment and there was none.

ACTION ITEMS

Consideration of Minutes – The minutes of the special meeting of October 27, 2016, were considered.

Upon motion duly made and seconded, it was unanimously...
RESOLVED that the minutes of the October 27, 2016, special meeting be accepted and hereby are approved as presented.

The minutes of the joint meeting of October 27, 2016, were considered. Upon motion duly made and seconded, it was unanimously

RESOLVED that the minutes of the October 27, 2016, joint meeting with the Upper Eagle Regional Water Authority be accepted and hereby are approved as presented.

PUBLIC HEARING: 2017 PROPOSED RATES
Chair Sackbauer opened a public hearing at 12:39 p.m. to discuss the 2017 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 District 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 12:40 p.m. Mr. Wilkins presented a resolution to adopt the 2017 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 2017 rates be and hereby is approved as presented.

PUBLIC HEARING: 2017 PROPOSED BUDGET
Chair Sackbauer opened a public hearing at 12:40 p.m. to discuss the 2017 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 12:41 p.m. Mr. Wilkins presented Resolutions to Adopt the 2017 Budget, Appropriate Sums of Money, and Certify Mill Levies, copies of which are attached hereto as Exhibits E, F, and G, 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 2017 Budget, Appropriate Sums of Money, and Certify Mill Levies be and hereby are approved as presented.

The 2017 rates for service charges and tap fees are set as follows:

Vail Water Service Rates:

<table>
<thead>
<tr>
<th>Base Rate</th>
<th>Monthly per Single Family Equivalent (SFE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2% increase overall in base rate and CRP</td>
<td></td>
</tr>
<tr>
<td>$15.28</td>
<td>Base Service Rate, $0.30 increase</td>
</tr>
<tr>
<td>$ 5.36</td>
<td>Capital Replacement Base Rate, $0.11 increase</td>
</tr>
<tr>
<td>$ 7.23</td>
<td>Debt Service Base Rate (decrease from $7.27)</td>
</tr>
</tbody>
</table>

Water Usage per 1,000 Gallons
0% increase in Tier 1; 75% increase from previous tier in Tiers 2 and 3

<table>
<thead>
<tr>
<th>Beginning of Tier (1,000 gallons)</th>
<th>Tier Cutoff (1,000 gallons)</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>9</td>
<td>$2.58 per 1,000 gallons</td>
</tr>
<tr>
<td>10</td>
<td>40</td>
<td>$4.51 per 1,000 gallons</td>
</tr>
<tr>
<td>41</td>
<td>Over</td>
<td>$7.89 per 1,000 gallons</td>
</tr>
</tbody>
</table>
Wastewater Service Fees:
$5.06 per 1,000 gallons of water used based on average monthly use from January to April, with a minimum of 5,000 gallons per SFE per month. The average water usage for January to April will be used to calculate the wastewater charges for May to December. In addition, a $9.17 base rate per SFE is assessed for debt service on the 2009 and 2012 Bonds. Usage rates are the same as the 2016 levels, and there is a $0.09 decrease per SFE to the Debt Service base rate.

Vail Water Tap Fees:
$4.31 per square foot for residential properties and 3% increase in the commercial fees, which are based on meter size. A 3% increase over 2016.

Wastewater Tap Fees:
$3.53 per square foot for residential properties and 3% increase in the commercial fees, which are based on fixture count and meter flow. A 3% increase over 2016.

Property Tax mill levies for taxes to be collected in 2016:

<table>
<thead>
<tr>
<th></th>
<th>11/17/2016 Net AV</th>
<th>Mill</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERWSD – Wastewater Ops.</td>
<td>$2,214,842,850</td>
<td>0.231</td>
<td>$511,628</td>
</tr>
<tr>
<td>ERWSD – Vail Water Ops.</td>
<td>$1,011,063,110</td>
<td>0.444</td>
<td>$448,912</td>
</tr>
<tr>
<td>ERWSD – Wastewater Debt</td>
<td>$2,214,842,850</td>
<td>0.618</td>
<td>$1,370,750</td>
</tr>
<tr>
<td>ERWSD – Vail Water Debt</td>
<td>$1,011,063,110</td>
<td>0.944</td>
<td>$954,444</td>
</tr>
</tbody>
</table>

Mill levies and/or revenues are adjusted once the final Assessed Valuation is received and TABOR limits are reviewed.

Consider Resolution Authorizing Issuance and Sale of Enterprise Water Revenue Refunding Bonds, Series 2016 – Mr. Wilkins discussed the parameters resolution regarding the proposed refunding of 2009 water enterprise bonds, a copy of which is attached hereto as Exhibit H and incorporated herein by this reference. Discussion ensued regarding the projected savings, which have decreased significantly since the recent presidential election. Mr. Wilkins noted the resolution stipulates a minimum savings of 4.5%. If such savings is not available by Dec. 15, staff and bond counsel would not proceed with the refunding. Upon motion duly made and seconded, it was unanimously RESOLVED that the Resolution Authorizing the Issuance and Sale of Enterprise Water Revenue Refunding Bonds, Series 2016, in the maximum principal amount of $13,750,000, be and hereby is approved as presented.

Mountain Star Tank Site Inclusion – Mr. Birk presented a board action request and related information regarding the Mountain Star Tank site inclusion, copies of which are attached hereto as Exhibits I and J, respectively, and incorporated herein by this reference. He noted that the inclusion would prevent the need for Eagle County to create an entirely new tax district for the property, making for administrative efficiencies. After discussion and upon motion duly made and seconded, it was unanimously RESOLVED that the Resolution to include the Mountain Star Tank site into the boundaries of the Eagle River Water and Sanitation District be and hereby is approved as presented.
Consent Agenda – The Board unanimously approved the Consent agenda, a copy of which is attached hereto as Exhibit K and incorporated herein by this reference.

Employee Recognition – The Board approved an annual holiday bonus for employees in recognition of their efforts throughout the year.

The Board took a short recess for lunch at 12:49 p.m. The meeting resumed at 12:59 p.m.

STRATEGY ITEMS

Wastewater Update – Ms. Johnson referenced the solids handling improvement project – the largest capital improvement project in District history – at the Edwards WWTF and asked directors if they had feedback or comments. Discussion ensued regarding work by staff and consultants to monitor and ensure adequate return flows in Vail, as all of the District’s solids are now treated at the Edwards facility.

Ms. Roman presented a PowerPoint and related memo about the wastewater master plan, copies of which are attached hereto as Exhibits L and M, respectively, and incorporated herein by this reference. She highlighted information regarding nutrients and their effects on aquatic life and stream aesthetics as well as the cost of compliance with Regulations 31 and 85 for nitrogen and phosphorus.

She noted that as the lone permitted discharger on most local streams, the District can be held solely accountable for meeting the standards, even though multiple non-point sources contribute to nutrient loading. She also pointed out that even when the regulatory limits are unachievable for the District’s service area, costly studies are often needed to demonstrate this to the state regulatory agencies that enforce the limits.

Ms. Roman also discussed projected growth scenarios and the impact to planning expansion and regulatory projects for the District’s wastewater treatment plants. She noted the wastewater master plan is being updated strategically, with staff and consultants looking at the synergistic relationship between the three plants, rather than treating each one as its own separate entity. Ms. Roman said optimization for each plant would be completed prior to any additional capital improvements. Possible expansion scenarios were shown for each plant.

Ms. Johnson discussed public outreach about wastewater matters that was initiated in December 2012 and continued into 2014 to share information ahead of the May 2014 special district election regarding two ballot issues, which District voters ultimately approved. Voter authorization allowed the District to issue general obligation bonds to pay for needed wastewater upgrades to start the process of complying with the nutrient regulations that Ms. Roman discussed. The District could have raised rates without voter approval, but collecting revenues through property tax rather than monthly rates saved nearly $1.8 million over the life of the bonds. Ms. Johnson noted the importance of sharing information and success stories with ratepayers, which has continued after the 2014 election. She also said a ribbon cutting ceremony would be held in spring 2017 to share the Edwards WWTF improvement project and its success with the community.
Ms. Roman presented updated MMI scores for the Gore Creek and the Eagle River. She discussed the sampling sites, methodology, and results. Gore Creek results continue to follow recent trends, with scores dropping at sample sites below urban areas. Eagle River scores showed some improvements, although some of the sediment movement from stream restoration efforts could have scoured bug populations in the Edwards area. Ms. Roman also noted that a significant rain event occurred 10 days prior to sampling, which could have adversely affected the scores for both streams. She pointed out efforts of the local Urban Runoff Group, which was formed in 2010 and is currently working to implement recommendations from the Gore Creek Water Quality Improvement Plan it commissioned. Ms. Roman specifically discussed efforts by the town of Vail to improve Gore Creek water quality, including education and outreach, and stream restoration and bank stabilization projects.

GENERAL MANAGER REPORT

Ms. Brooks noted she did not include a written report in packets. Monthly reports were acknowledged, copies of which are attached hereto as Exhibit N and incorporated herein by this reference.

Stillwater PUD Update – Mr. Wilkins discussed the proposed Stillwater PUD site, which is across the river from the Edwards Wastewater Treatment Plant; preliminary analysis is underway for a potential employee housing project there. An internal housing survey is also in progress to get feedback to inform both the Stillwater PUD and the overall housing policy. In response to a question, Mr. Wilkins noted most of the planned units would be for rent or sale, with the exception of a few that would be available only for short-term lease for recruitment purposes. Staff expects to present a more formal plan for the Stillwater PUD at the December meeting.

FINANCE REPORT

Mr. Wilkins presented the finance report, a copy of which is attached hereto as Exhibit O and incorporated herein by this reference. He noted water sales were slightly below projections and that future budgets would not be based on previous years’ figures since sales are largely weather-dependent and difficult to predict on a year-to-year basis.

Quarterly Financial Report – Mr. Wilkins discussed the quarterly report, a copy of which is attached hereto as Exhibit P and incorporated herein by this reference. The Board acknowledged receipt of the report.

OPERATIONS REPORT

The operations report was presented, a copy of which is attached hereto as Exhibit Q and incorporated herein by this reference.

COMMUNICATION AND PUBLIC AFFAIRS REPORT

Ms. Johnson noted she did not include a written report in packets.

City of Aspen Water Rights Diligence – Ms. Johnson said many groups are opposed to the city of Aspen’s filing for diligence on conditional water rights it has maintained since 1965 for potential storage reservoirs on upper Castle and Maroon creeks.
Colorado River Risk Study – Ms. Johnson discussed phase 2 of the Colorado River Development and Curtailment Risk Study, led by the River District and funded, in part, by the West Slope Basin Roundtables. Some Front Range entities are concerned about the study’s direction, even though many of their representatives are involved in the technical advisory group, and have appealed to the Colorado Water Conservation Board to lead such efforts. She mentioned several letters and media reports and offered to send them to those interested.

GENERAL COUNSEL REPORT

Wolcott Update – Mr. Collins reported that the Wolcott development was once again on hold. He saved further discussion for Executive Session.

Heritage Parcel Update – Mr. Collins said he is facilitating discussions between the owner of the Heritage Parcel and the Country Club of the Rockies, which owns the property through which an easement is needed to provide sewer service to the Heritage Parcel. Negotiations have thus far been friendly.

Subdistrict Request – Mr. Collins discussed a request from the Bighorn Recreation and Sanitation District (BRSD) in East Vail, which wishes to have the District take over its sewer operations. BRSD currently has a private sewer collection system on the property and is having difficulty with operations and maintenance. Due to the high cost of upgrading their system to meet District specs, Mr. Collins suggested BRSD form a subdistrict to be taxed for the cost of the improvements; the District can then bond for the improvements and recoup the taxes. The Board agreed with the recommendation. Mr. Collins said BRSD can continue to patch its service line until upgrades can be made to connect to the District’s system.

WATER COUNSEL REPORT

Extension of Minturn Reservation Period – Ms. Moseley discussed previous litigation with Minturn regarding its water rights, which was settled in 2010. As part of the settlement, the District offered to lease to Minturn up to 50 acre feet of its Eagle Park or Homestake water at the same rate that the Colorado River Water Conservation District offers. In 2015, Minturn requested a one-year extension of the date by which the amount of leased water must be determined and is requesting an additional extension this year, expiring on January 10, 2018. A copy of the request is attached hereto as Exhibit R and incorporated herein by this reference. Ms. Moseley clarified that Minturn still pays annually to reserve the lease option. After discussion and upon motion duly made and seconded, it was unanimously

RESOLVED that Minturn’s request to extend its reservation period until January 10, 2018, be and hereby is approved as presented.

All public attendees, as well as Ms. Kelkenberg and Messrs. Drescher and Newbanks, left the meeting at 2:37 p.m.

EXECUTIVE SESSION
Ms. Moseley requested the Board enter Executive Session to receive legal advice regarding Eagle River MOU caps, Wolcott and CRCA matters, pursuant to §24-6-402(4)(b) and (e) C.R.S. She 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 to enter executive session at 2:38 p.m. to discuss attorney-client privileged issues concerning Eagle River MOU caps, Wolcott and CRCA matters, pursuant to §24-6-402(4)(b) and (e) C.R.S. with no electronic record created as Ms. Moseley opined the contents of the discussion would contain privileged attorney-client communications.*

At 2:59 p.m., before the discussion of CRCA matters, all staff left the meeting, with the exception of Ms. Brooks and Ms. Johnson.

The regular meeting resumed at 3:13 p.m.

**Wolcott Development** – Ms. Moseley summarized recent discussions with the Chris Jouflas family (CJC Properties) regarding the Wolcott development and the possibility of the District moving forward with CJC Properties in a joint application to change the portion of the O’Neill and Holland Ditch water rights it owns. Ms. Moseley said each party would pay its respective costs and the District’s costs would be recovered via a cost recovery agreement with CJC Properties. After discussion and upon motion duly made and seconded, it was unanimously

RESOLVED that the District move forward as a co-applicant with the Chris Jouflas family in a water rights change case regarding its portion of the O’Neill and Holland Ditch water rights.

**Meeting Format** – Ms. Brooks requested input on the day’s meeting, including the work session/tour format and the focus on mainly wastewater topics. The agenda was purposely pared down for any items that were not related to wastewater. Directors gave positive feedback on the day’s events and requested similar-format meetings a few times per year.
ADJOURNMENT

There being no further business to come before the Board, the meeting adjourned at 3:16 p.m.

Respectfully submitted,

________________________________________
Secretary to the Meeting

MINUTES APPROVED, FORMAL CALL, AND
NOTICE OF MEETING WAIVED

________________________________________
Tom Allender, Treasurer

________________________________________
Steve Coyer, Director

________________________________________
Stephen Friedman, Vice Chair

________________________________________
George Gregory, Secretary

________________________________________
Frederick P. Sackbauer IV, President/Chair

________________________________________
Bill Simmons, Director

________________________________________
Paul Testwuide, Director

*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.

James P. Collins, General Counsel  Kristin Moseley, Water Counsel