A regular meeting of the Board of Directors of the Upper Eagle Regional Water Authority (Authority) was held March 26, 2015, at 8:30 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
- Todd Goulding, Town of Avon
- George Gregory, Berry Creek Metropolitan District
- Jim Power, Beaver Creek Metropolitan District
- Mick Woodworth, Edwards Metropolitan District

Also in attendance were:
- ERWSD Staff
- Linn Brooks
- Jason Cowles
- Carol Dickman
- Todd Fessenden
- Catherine Hayes
- Leslie Isom
- Diane Johnson
- Elena Jones
- John McCaulley
- Steve Sego
- James Wilkins
- Consultants
- Jim Collins, Collins Cockrel & Cole
- Glenn Porzak, Porzak Browning & Bushong LLP
- Public
- Sarah Smith Hymes, town of Avon
- Michael Lindholm, Traer Creek Ltd.

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 that he is employed by Chaffee Construction Company, which has significant business interests within the Authority. Director Woodworth disclosed that he is employed by the Eagle River Fire Protection District, which operates within the Authority’s service area; he also serves on the Edwards Metropolitan District Board.

CALL TO ORDER

Chairman Gregory called the meeting to order at 8:30 a.m.

ACTION ITEMS

Consideration of Minutes – The minutes of the Regular Meeting of February 26, 2015, were considered. Upon motion duly made and seconded, it was unanimously RESOLVED that the minutes of the February 26, 2015, Regular Meeting be accepted and hereby are approved as presented.

Appointment of Vice Chair – The Board discussed the desire to appoint a vice chair. It was clarified that per the bylaws, the secretary acts as chairman during the chairman’s absence.

After discussion and upon motion duly made and seconded, it was unanimously
RESOLVED that Director Dreyer be and hereby is appointed to serve as vice chair.

Additional Water Demand Management Committee Member – Director Woodworth volunteered to serve as an additional member on the Water Demand Management Committee with Director Allender.

Presentation of Water System Impact Fee Study – Mr. Cowles discussed his board action request and related study, copies of which are attached hereto as Exhibits A and B, respectively, and incorporated herein by this reference. Ms. Brooks gave a history of the Authority’s plant investment fee (PIF) and the need for the study, which was undertaken by an internal team beginning in 2014. The PIF is an impact fee intended to cover the cost of connection to the Authority’s system and for that customer’s system capacity. Mr. Cowles explained the methodology used and noted that while the fee has been periodically adjusted for inflation, it has not been adjusted for the value of additional Authority capital investments, which serve current and future customers. Mr. Cowles outlined the study’s specific recommendations:

1. Increase the Authority’s PIF to $9,041 per SFE;
2. Continue the tiered PIF structure and report annually to ensure the structure remains effective;
3. Examine PIF periodically to account for added capital improvements;
4. Adjust the PIF annually to account for construction-related inflation per the Denver Construction Cost Index; and
5. Change the term “plant investment fee” to “water system impact fee.”

Public Hearing to Consider Rate Increase

The Board opened a public hearing at 9:18 a.m. to consider increasing the plant investment fee rate from $4,500 per SFE to $9,041 per SFE, based on the study undertaken by staff. Chairman Gregory called for public comment and there was none. The public hearing was closed at 9:19 a.m. After discussion and upon motion duly made and seconded, it was unanimously

RESOLVED that the proposed Plant Investment Fee is recommended to be approved by each participating member according to the following rate schedule:

<table>
<thead>
<tr>
<th>Floor Area Tiers</th>
<th>Square Feet in Tier</th>
<th>Price Per ft²</th>
<th>Tier Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>0 - 2,500</td>
<td>$3.62</td>
<td>$9,041</td>
</tr>
<tr>
<td>Tier 2</td>
<td>2,501 - 3,500</td>
<td>$4.46</td>
<td>$4,460</td>
</tr>
<tr>
<td>Tier 3</td>
<td>3,501 - 5,000</td>
<td>$5.44</td>
<td>$8,167</td>
</tr>
<tr>
<td>Tier 4</td>
<td>5,001+</td>
<td>$6.97</td>
<td><strong>Overage</strong></td>
</tr>
</tbody>
</table>
and **FURTHER RESOLVED** that the name Plant Investment Fee is hereby modified
to be called hereafter the “Water System Impact Fee.”

A signed copy of the Resolution Regarding Recalculation of the Plant Investment Fee and a
Changing the Terminology to “Water System Impact Fee” is attached hereto as **Exhibit C** and
incorporated herein by this reference.

**Traer Creek Tank Resolution** – Mr. Fessenden updated on the Traer Creek Tank, which is
online and functioning well within the water system. He presented a board action request and
related resolution, copies of which are attached hereto as **Exhibits D** and **E**, respectively, and
incorporated herein by this reference. Mr. Fessenden confirmed there are adequate warranty
bonds to cover the remaining warranty items, including surface cracks on top of the tank.
After discussion and upon motion duly made and seconded, it was unanimously
**RESOLVED** that the Resolution Regarding Construction Acceptance of the Traer
Creek Water Storage Tank be and hereby is approved as presented. Director
Goulding abstained.

**REPORT BY WATER COUNSEL**

**Federal Water Right Directives** – Mr. Porzak discussed the three federal water rights
directives introduced by the Forest Service. He noted the groundwater directive was
withdrawn due to many negative comments. He expects the Forest Service to reintroduce a
revised version of the water right permit clause directive in May or June.

**Federal Legislation (Water Right Protection Act)** – Mr. Porzak said Representative Tipton
and Senator Barrasso intend to introduce the Water Rights Protection Act, which would
protect water rights, including those of the ski industry, municipal providers, agricultural
providers, and all other state rights. After discussion and upon motion duly made and
seconded, it was unanimously
**RESOLVED** that the Board hereby does support the Water Rights Protection Act as
modified to remove the reference to Forest Service ownership of groundwater that
lies beneath the national forest.
State Legislation (Senate Bill 64) – Mr. Porzak gave background on similar legislation last year, which was killed in the Senate. The bill passed in the Senate this year but was killed in the House State Affairs committee. Mr. Porzak noted multiple Representatives who voted against the bill have since expressed regret; the bill could be reintroduced as a late bill. Sen. Sonnenberg is willing to take the bill through the Senate again, but wants confirmation that it will pass in the House. Mr. Porzak will continue to monitor the situation.

Colorado River Compact Water Bank – Mr. Porzak discussed the possibility of a Western Slope water bank using historic consumptive use credits; this could protect against a future compact call and could potentially involve a variety of East and West Slope parties. A March 3 meeting was held with Colorado River Water Conservation District representatives, including President Jon Stavney, to further discuss this concept. Mr. Porzak will schedule a meeting with Jim Lochhead of Denver Water on the matter.

Avon Comments on the Authority Agreement – Mr. Porzak discussed recent changes to the Authority Agreement proposed by the town of Avon, a copy of which is attached hereto as Exhibit F and incorporated herein by this reference. He noted there were no substantive changes. Mr. Collins prepared the full text of the Agreement incorporating the comments and urged the members to pass it. After discussion and upon motion duly made and seconded, it was unanimously RESOLVED that the Authority Agreement be and hereby is approved as presented, contingent upon review and approval by the Beaver Creek Metropolitan District; and FURTHER RESOLVED that the Directors will recommend approval to their respective Boards.

New Public Trust Initiative – Mr. Porzak discussed a new public trust initiative, the language for which has been approved by the Title Board. He noted this version is more sweeping than past initiatives. Ms. Brooks said the proponents need over 97,000 signatures to get on the November ballot. The Colorado Water Congress is working to provide tools for local water providers to communicate with their constituents about the initiatives and their consequences.

McCoy Springs Development – Mr. Porzak discussed the proposed development and noted a new agreement with the owners, Vail Associates and Vail Arrowhead Inc., is needed. Mr.
Porzak will review the water rights to ensure there is enough storage water dedicated for the development.

**REPORT BY GENERAL COUNSEL**

**Traer Creek Update** – Mr. Collins suggested the Authority manage any similar tank projects in the future to avoid some of the issues that were evident during the Traer Creek tank construction project.

**Tap Fee Update** – Mr. Collins said all Authority members terminated their tap fees, with the exception of the town of Avon and the Arrowhead Mountain development.

**REPORT BY GENERAL MANAGER**

**Water Supply Planning Efforts** – Ms. Brooks updated the Board on efforts to engage the county and towns in water supply planning efforts to ensure integration between their land use approval and the Authority’s development approval process. Ms. Brooks suggested sending more robust responses to referral letters regarding developments’ potential impacts on streamflows, water quality, nutrient loading, and that land use agencies heavily influence how their applicants ultimately use water. The Board supported this effort.

**Streamflow Modeling** – Ms. Brooks said the Colorado River Basin Roundtable wants to create a streamflow model to determine the basin’s non-consumptive needs and evaluate the impacts of future projects and Trans-Basin Diversions. Ms. Brooks serves on a roundtable committee to investigate a model’s scope and benefits. She cautioned the committee that the existence of multiple models would cause problems and recommended that the roundtable support the state’s model, and as a separate effort, develop a geographical data base to compile qualitative information such as riparian health and water quality impacts. She also suggested that the District and Authority share the framework of their model, currently under development, with the state so that all are working with the same information.

**Mountain Star Update** – Ms. Brooks discussed a recent meeting with Mountain Star representatives. Negotiations are ongoing between Mountain Star and the town of Avon regarding tank funding. Chairman Gregory noted he and Ms. Brooks were clear that the Authority had participated significantly to this point, and it is now up to Mountain Star and the town to fund the tank.
REPORT BY DIRECTOR OF OPERATIONS

Mr. Fessenden presented the Operations Report, a copy of which is attached hereto as Exhibit G and incorporated herein by this reference.

Stormwater/Urban Runoff Group (URG) Update – Mr. Fessenden gave an update on URG efforts. Mr. Fessenden noted that discussions with the Colorado Department of Transportation (CDOT) revealed increased use of magnesium chloride during winter storms, which is the result of pressure from CDOT Operations to reduce travel times and keep roads open. He also noted efforts to monitor and control sediment in the East Vail area of I-70 to improve water quality in the area; a project to improve facilities near the Basin of Last Resort on Vail Pass is being considered. He noted recent efforts by the town of Vail to identify projects to improve water quality in Gore Creek, and town of Avon's interest in becoming more involved in storm water and general water quality efforts as noted in their recently released Strategic Plan.

Eagle River MOU Update – Mr. Fessenden discussed ongoing review of joint project possibilities with the Eagle River MOU work group. Staff received input from consultants Tom Williamsen and Bob Weaver regarding the potential projects, including review of in-basin reservoir sites. Mr. Fessenden said the MOU work group has divided the agreed-upon projects to maximize the efforts and expertise of those involved.

Construction Costs – Mr. Fessenden said construction costs have increased considerably in the past year, locally and statewide. He expects this trend to continue.

Water Line Break Benchmarking – Mr. Fessenden noted a line break benchmark presented at the February meeting was inaccurate and presented a graph with the correct figures, a copy of which is attached hereto as Exhibit H and incorporated herein by this reference. The Authority is actually within the American Waterworks Association’s (AWWA) recommended standard of breaks per 100 miles of pipe. The previous reported number had included breaks in customer service lines, which are not considered in the AWWA standard.

REPORT BY DIRECTOR OF FINANCE

New Finance Director James Wilkins was introduced; he is taking over for Becky Bultemeier, who is retiring after 28 years of service. Mr. Wilkins noted water sales are tracking close to projected numbers and said he would be meeting with consultant Amy Bernstein shortly to get up to speed on financial modeling, in addition to continuing his internal onboarding program.
REPORT BY COMMUNICATIONS AND PUBLIC AFFAIRS MANAGER

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

Statewide basin Roundtable summit – Ms. Johnson reported on the March 12 Summit, which included representatives from throughout the state to discuss the Colorado Water Plan. Discussion focused on funding, permitting, legislation, agriculture, and the seven points of the “conceptual framework.”

Colorado Water Plan Update – Ms. Johnson said Eagle River region stakeholders met March 2 and prioritized projects included in the Colorado Basin Roundtable’s Basin Implementation Plan. The Eagle River MOU is a top priority for the region; protecting the Shoshone hydroelectric plant call is the top priority basin-wide. The final draft of the BIP is due to the Colorado Water Conservation Board April 17.

EXECUTIVE SESSION

Mr. Porzak requested the Board enter Executive Session to receive legal advice pursuant to §24-6-402(4)(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 to enter executive session at 10:16 a.m. to discuss attorney-client privileged issues concerning the Shoshone Acquisition, pursuant to §24-6-402(4)(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 11:05 a.m.

Shoshone Acquisition Funding – The Board discussed funding for a potential Shoshone Power Plant acquisition. Upon motion duly made and seconded, it was unanimously RESOLVED to increase the amount of funding for the Shoshone Acquisition to a maximum of $13,334 and authorize Mr. Porzak to sign the cost-sharing agreement on behalf of the Authority.

846 Forest Road
Vail, Colorado 81657
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Board of Directors Meeting March 26, 2015
Upper Eagle Regional Water Authority

ADJOURNMENT

There being no further business to come before the Board, the meeting adjourned at 11:06 a.m.

Respectfully submitted,

___________________________________
Secretary to the Meeting

MINUTES APPROVED, FORMAL CALL, AND
NOTICE OF MEETING WAIVED

___________________________________
Arrowhead Metropolitan District

___________________________________
Town of Avon

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Beaver Creek Metropolitan District

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Berry Creek Metropolitan District

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EagleVail Metropolitan District

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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.

__________________________________
Glenn Porzak, Water Counsel