A Regular Meeting of the Board of Directors of the Eagle River Water & Sanitation District (District) was held May 24, 2018, 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. Bob Armour, outgoing Director District 2 director
2. Dick Cleveland
3. Steve Coyer
4. Steve Friedman
5. George Gregory
6. Frederick P. Sackbauer IV, outgoing Director District 1 director
7. Bill Simmons
8. Brian Sipes

Also in attendance were:

11. District Staff
12. Linn Brooks
13. Jason Cowles
14. Carol Dickman
15. Catherine Hayes
16. Diane Johnson
17. Gusty Kanakis
18. Carter Keller
19. John McCaulley
20. Siri Roman
21. Sherry Raile
22. Jeff Schneider
23. Meghan Schultz
24. Monique Stevens
25. Bill Sullivan
26. Nick Tessmer
27. Brian Tracy
28. James Wilkins
29. Lizzie Williams
30. Consultants
31. Jim Collins, Collins Cockrel & Cole
32. Glenn Porzak, Porzak Browning & Bushong LLP
33. Public
34. Randy Fischer, Vail property owner
35. Paula Fischer, Vail property owner
36. Konrad Oberlohr, Vail property owner
37. Dennis Scalise, Vail property owner
38. Rob Sperberg, Attorney for Randy and Paula Fischer

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 Armour disclosed that he is employed by Vail Resorts and the Vail Recreation District. Director Friedman serves on the Boards of the Beaver Creek Metropolitan District and the Vail Valley Foundation. Director Gregory disclosed that he serves on the Boards of the Upper Eagle Regional Water Authority (Authority) and 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.

CALL TO ORDER

Acting Chair Friedman called the meeting to order at 11:30 a.m.

INTRODUCTIONS

Ms. Jones introduced customer service interns working on smart meter installation, Mses. Schultz, Stevens, and Williams. Public attendees included those interested in the public hearing regarding the claim of easement program. Outgoing Director Sackbauer discussed the accomplishments of Jay Peterson, a former District board member who recently passed away. Ms. Brooks noted the District recently received the Vail Valley Partnership’s Actively Green Business of the Year Award. She highlighted efforts of the District’s Sustainability Committee in recent years that led to this award and introduced members of the committee in attendance, including Mses. Hayes and Raile and Messrs. Kanakis, Keller, Sullivan, Tessmer, and Tracy. Brooks also complimented Maureen Mulcahy, Amy
Schweig, and Ms. Johnson, who have received excellent feedback as they present the draft Water Efficiency Plan to local entities. At 11:36 a.m., Ms. Raile and Messrs. Kanakis, Keller, and Sullivan left the meeting.

**ACTION ITEMS**

**Consideration of Minutes** – The minutes of the regular meeting of April 26, 2018, were considered.

Upon motion duly made and seconded, it was unanimously

RESOLVED that the minutes of the April 26, 2018, regular meeting be accepted and hereby are approved as presented.

**Public Hearing: Intermountain Claim of Easements Project** – Ms. Peterson gave background on the claim of easements program, which has been occurring throughout the District’s service area for over a decade and involves identifying sewer mains, water mains, and other District infrastructure that crosses properties and for which the District has no formal platted or recorded easement. The project identifies the easements, surveys the legal description, and a notice of claim of easement and the date and time of a public hearing on the matter is then sent to the property owner. If approved by the Board following a public hearing, a claim of easement is then recorded. Copies of the notice of public hearing and board action request are attached hereto as Exhibits A and B, respectively, and incorporated herein by this reference. A public hearing was opened at 11:42 a.m. Acting Chair Friedman called for public comment.

Mr. Sperberg introduced himself, representing property owners Mr. and Mrs. Fischer of 2636 Davos Trail in Vail. Mr. Sperberg discussed his clients’ view that there is no district infrastructure on their property. Ms. Winn noted that district staff has a differing opinion with regard to the matter. Mr. Scalise, of 2617 Arosa Drive in Vail, also expressed concern with the claim of easement project. He also did not believe there is a sewer main on his property and felt he was owed compensation for the land upon which the District is claiming an easement, especially since he did construction in the proposed easement area. In response to a question, Ms. Winn clarified the easement signatory would be the District, not the property owner. Discussion ensued regarding the notification process for the claim of easements project, whether the District’s easement and encroachment requirements align with the town of Vail’s, and that some easements in the Intermountain area predate its inclusion into the town boundaries. After discussion and upon motion duly made and seconded, it was unanimously

RESOLVED that the proposed easements for 2636 Davos Trail in Vail and 2617 Arosa Drive in Vail be and hereby are tabled to the June 28 board meeting; and

FURTHER RESOLVED that the claim of the eight other Intermountain easements be and hereby is approved as presented.

Mr. an Mrs. Fischer, Mr. Oberlohr, Mr. Scalise, and Mr. Sperberg left the meeting at 12:14 p.m.

**Resolution to Sell 96 Stratton Circle** – Mr. Wilkins discussed his board action request regarding an employee’s request to purchase 96 Stratton Circle in Gypsum, a copy of which is attached hereto as Exhibit C and incorporated herein by this reference. Mr. Wilkins discussed the purchase price, which was based on the appreciation model approved in 2016. He also noted the unit was deed-restricted with the
District having first right of refusal to repurchase the home if the employee sells it, or if the employee leaves the District. After discussion and upon motion duly made and seconded, it was unanimously RESOLVED that the resolution to sell 96 Stratton Flats in Gypsum be and hereby is approved as presented.

A copy of the resolution is attached hereto as Exhibit D and incorporated herein by this reference.

The board took a short recess for lunch at 12:19 p.m. The meeting resumed at 12:33 p.m.

Dry-Year Management Policies – Ms. Brooks discussed her memo regarding management and operations during dry years, a copy of which is attached hereto as Exhibit E and incorporated herein by this reference. The proposed policies were based on the lessons learned in 2012 and the Drought Management Plan drafted following that drought. Ms. Johnson discussed precipitation figures at SNOTEL sites during the past winter. Ms. Brooks and Ms. Johnson discussed the summer weather and precipitation outlook, current streamflow conditions (including that local flows peaked on May 17), and staff planning efforts for this dry year. Ms. Brooks said the current “dry year” conditions may be the new “normal,” which was why staff was not calling such conditions “drought.” The Board discussed the dry-year management policies to direct staff in managing fire risk and water supply in 2018, including activating the incident command system. In response to a question, Mr. McCaulley reported about 25% of all customers have smart meters, but he didn’t anticipate using such smart meters to issue water use violations. Ms. Brooks also noted that dry-year messaging is being presented to local entities concurrently with the Water Efficiency Plan. After discussion and upon motion duly made and seconded, it was unanimously

RESOLVED that the dry-year management policies be and hereby are approved as presented.

Consent Agenda – The Board unanimously approved the Consent agenda, a copy of which is attached hereto as Exhibit F and incorporated herein by this reference.

STRATEGY ITEMS

Mr. Sackbauer left the meeting at 12:49 p.m.

Director District 1 Vacancy Recommendation – Directors Armour and Simmons (the organizational development subcommittee) discussed the Director District 1 vacancy, for which they interviewed two candidates – Rick Sackbauer and Timm Paxson. Directors Armour and Simmons each discussed the qualifications of both candidates, as well as recommending their preferred candidate for the open seat. Discussion ensued, and the board decided to invite Mr. Sackbauer and Mr. Paxson to the June 28 board meeting so the full board could interview both candidates. At Ms. Winn’s recommendation, the board kept its current slate of officers until the June 28 meeting.

Mr. Armour left the meeting at 1:10 p.m.

Board Member Input – Acting chair Friedman called for public comment and there was none.
**GENERAL MANAGER REPORT**

Ms. Brooks presented the General Manager report, a copy of which is attached hereto as Exhibit G and incorporated herein by this reference. Monthly reports were acknowledged, copies of which are attached hereto as Exhibit H and incorporated herein by this reference.

- **Hahnewald Barn Update** – Ms. Brooks said the town of Avon was concerned about inclement weather affecting the barn removal deadline, which is spring 2019. The town originally planned to dismantle the barn in fall 2018 and store it until spring, but such storage was determined to be cost prohibitive. Ms. Roman confirmed the barn property was not needed in spring 2019, so some flexibility could be accommodated if weather is uncooperative.

- **July Joint Meeting** – The board agreed to hold a joint meeting with the District board on July 26 to discuss the Eagle River MOU and proposed Eagle Park Reservoir enlargement project.

- **Water Releases for GoPro Games** – Ms. Brooks gave background on a request for a water release for the GoPro Games in Vail from the Vail Valley Foundation. Though the District and Authority have not released their water to prop up streamflows for this event, they have helped Vail Resorts to release its Homestake water in the past. Staff can again assist with this if needed, and the board reaffirmed its position that none of its Black Lakes or Homestake water will be released for this purpose. Discussion ensued regarding water releases in general; Ms. Brooks said the full amount released from a reservoir does not show up downstream due to attenuation; the source from which the water is released also affects the percentage of the released water that actually makes it to downstream locations.

- **Stillwater Groundbreaking** – Ms. Johnson said the Stillwater Groundbreaking was planned for Friday, June 1 at the construction site in West Edwards. Invitations for this District employee housing development will be sent out later in the day.

**FINANCE REPORT**

- **Quarterly Financial Report** – Mr. Wilkins presented the quarterly financial report, a copy of which is attached hereto as Exhibit I and incorporated herein by this reference. He noted District water sales were slightly lower than projected, perhaps due to lower skier visits during the winter. Mr. Wilkins also pointed out improved budgeting and spending projections by the CIP department, which have greatly improved financial planning efforts.

- **Authority Budget Amendment** – Mr. Wilkins discussed his request and supporting documentation regarding an amendment to the Authority’s 2017 budget, a copy of which was included as an FYI to the District; it is attached hereto as Exhibit J and incorporated herein by this reference. Mr. Wilkins explained the need for the amendment, as the amount of District staff time and expenditures for Authority-related items exceeded budgeted amounts. Authority spending on other items was largely under budget, so the overall discrepancy is around $65,000. However, the District will receive a payment of roughly $875,000 from the Authority, so Mr. Wilkins wanted the board to be aware of the reasoning. Mr. Wilkins said the annual contracted...
amount the Authority pays to the District has not been updated since 2014; staff will take a closer
look at this as the 2019 budgets are prepared.

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

ENGINEERING REPORT
Mr. Cowles noted he did not include a written report in the packets.

Update on District Sewer Projects – Mr. Schneider discussed various high-impact sewer
projects with the board. He noted the West Vail sewer main improvements project required
single-lane traffic and the installation of a traffic light on the South Frontage Road west of the
West Vail roundabout for the duration of the first phase of the two-phase project. The subsequent
phase will occur east of the West Vail roundabout on the South Frontage Road and be more
disruptive to traffic and include digging through a private parking lot, for which an easement is in
place. Ms. Brooks noted the high level of planning, communication, and detail the project required
and was impressed with staff’s efforts. In response to a question, Ms. Brooks noted the District
would replace “like” with “like” regarding the private parking lot. Mr. Schneider also discussed the
Bridge Road Sewer project, which is being done in partnership with the town of Vail, to reroute a
District sewer main. Mr. Schneider said a few days ago, a contractor found diesel fuel in the soil,
which was excavated according to best management practices, as it was approximately 30’ from
Gore Creek. CDOT is responsible for the mitigation costs.

COMMUNICATION AND PUBLIC AFFAIRS REPORT
Ms. Johnson discussed her report, a copy of which is attached hereto as Exhibit L and incorporated
herein by this reference.

GENERAL COUNSEL REPORT
Traer Creek Update – Ms. Winn, attending in place of general counsel Jim Collins, said Traer Creek had
complied with additional revisions requested by the District and Authority for water and sewer easements.

WATER COUNSEL REPORT
Water Rights Appraisal – Mr. Porzak discussed the most recent District water rights appraisal, a copy of
which is attached hereto as Exhibit M and incorporated herein by this reference. The appraisal is
included annually as an exhibit to the audit. The District’s water rights portfolio is worth an estimated $54
million. Combined with the Authority, the two entities have over $100 million in water rights.

At 1:40 p.m., Mses. Stevens, Schultz, Williams, and Mr. Schneider left the meeting.

EXECUTIVE SESSION
Ms. Winn requested the Board enter Executive Session to receive legal advice regarding the Intermountain
Claim of Easement project, real estate matters, and Wolcott, 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 to enter executive session at 1:42 p.m. to discuss attorney-client privileged issues concerning Intermountain Claim of Easement project, real estate matters, and Wolcott, pursuant to §24-6-402(4)(a)(b) and (e) C.R.S. with no electronic record created as Ms. Winn 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 Eagle River MOU, Bolts Lake, Black Lakes, CRCA matters, and water service notice, pursuant to §24-6-402(4)(b) and (f), C.R.S. He asked that no electronic record be made, as the discussion would be entirely privileged attorney-client. Upon motion duly made and seconded, it was unanimously

RESOLVED to continue Executive Session at 2:04 p.m. to discuss attorney-client privileged issues concerning Eagle River MOU, Bolts Lake, Black Lakes, CRCA matters, and water service notice, pursuant to §24-6-402(4)(b) and (f) 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 2:37 p.m.
ADJOURNMENT

There being no further business to come before the Board, the meeting adjourned at 2:38 p.m.

Respectfully submitted,

________________________________________
Secretary to the Meeting

MINUTES APPROVED, FORMAL CALL, AND NOTICE OF MEETING WAIVED

________________________________________
Dick Cleveland, Director

________________________________________
Steve Coyer, Treasurer

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Stephen Friedman, Vice Chair

________________________________________
George Gregory, Secretary

________________________________________
Bill Simmons, Director

________________________________________
Brian Sipes, 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.

Kathryn Winn, General Counsel  Glenn Porzak, Water Counsel