**Meeting of the**

**Yellow Jacket Water Conservancy District**

**Tuesday September 27, 2016**

**2:00 to 4:00 p.m.**

**Fairfield Center**

1. **Main Street, Meeker, CO 81641**

Call to Order

The meeting was called to order at 4:02 p.m.

Roll Call Staff Present

Directors Present Scott Grosscup, District Attorney

Kelly Sheridan

Walter Proctor Others Present

Shawn Welder Craig Ullman, P.E., Applegate Group

David Smith, Jr. Shanna Lewis, Division of Water Resources

Baily Franklin

Approval of Minutes from March 16, 2016

Director Proctor moved to delay approval of the minutes from March 16, 2016 to the next meeting, Director Welder Second, all in favor.

Approval of Accounts Payable

Director Proctor moved to pay the accounts payable to Balcomb & Green Applegate Group incurred since the last meeting from December. Director Smith second, all in favor.

Discussion followed regarding how payments have been made as budgeted from the General Operating account. Director Proctor indicated that past budgets have not accounted for the fees paid to the offices of the respective County Treasurers for their cost to collect property taxes and payment to the various taxing entities such as the YJWCD. These withheld fees total more than $2,000 annually.

Director Proctor moved to reduce the legal budget by $2,000 to account for Treasurer’s fees, Director Franklin Second, all in favor.

Director Proctor then discussed the status of the District’s Reserve account, which presently has a balance of $5,064 and the need increase that amount to shore up the District’s reserves and to meet budgeted amounts. Director Proctor then moved to reduce the legal budget by $2,000 and move that money into the District’s Reserve account to meet the 2016 budgeted amount for the Reserve account, Director Smith second, all in favor.

Director Proctor then stated that due to the changes, there will be limited funds at the end of the year assuming that the District does not incur any additional significant expenses for the remainder of the year. He also stated that he had paid “routine” bills and operating expenses including the surety bond for the directors.

Draft Yellow Jacked Water Storage Feasibility Study

Craig Ullman, P.E., Applegate Group, presented the draft Yellow Jacket Water Conservancy District, Water Storage Feasibility – 2016 report. He reviewed the previous report that identified future needs and demands for water within the District. The 2016 Report updates those needs by increasing potential industrial demands as a result of a recent study by the United States Geological Survey (USGS) that estimates greater natural gas supplies within the region. The 2016 Report also estimates use from existing decreed and permitted wells within the District’s boundaries. These wells could require an augmentation supply in the event of a call by the Taylor Draw power plant.

Applegate looked at existing permitted wells using the state’s database that are junior to the Taylor Draw Call. It then estimated the annual consumed volume by these wells based upon assumptions of the type of use allowed under these well permits. From this analysis, it determined that there is a potential of more than 1,800 acre feet of water consumed by these wells that could require an augmentation supply in the event the mainstem of the White River was placed under administration. Applegate then did a similar analysis for decreed wells, some with diversion records, others without, and determined that the decreed wells could consume approximately 2,414 acre feet per year, which wells could require an augmentation source during times of administration. In total, there is the potential for more than 4,000 acre feet of required augmentation water in the event of administration on the mainstem of the White River.

Director Proctor noted that this study was limited to uses and demands within the White River, and did not address the Axial Basin in Moffat County, where the District does not currently have any water rights.

Craig then reviewed the previous possible water storage locations. One of the storage locations has been modified to account for a known sage grouse lek, resulting in a smaller storage capacity. Director Franklin suggested the District eliminate that potential site from future consideration as there are other more cost-effective locations and the United States Fish and Wildlife Service and Colorado Parks and Wildlife would likely require a significant buffer zone to protect the lek, resulting in a limited footprint. The study also analyzed new locations located on Little Beaver Creek, Dickerville Creek, Lower Coal Creek, and Upper Coal Creek. Craig discussed the pros and cons of the various locations. One site, the Little Beaver Creek location, provides various positive attributes including ability to deliver water to pressurized sprinkler systems and increased irrigation efficiencies.

Craig then discussed various downstream reservoir locations including Kellog Gulch, Tom Little Gulch, and Crooked Wash. All locations would have pumping costs in order to move water into the various reservoirs. He described various pros and cons of each of the locations. Director Sheridan asked about the potential recreational benefits and potential for income from the reservoirs for those uses.

Craig completed his presentation with suggestions for possible further study, these included: further analysis and refinement of well usage within the District’s boundaries; conversations with property owners to discuss feasibility of reservoir storage; compare costs with proposed Wolf Creek Reservoir anticipated costs; and consideration of funding plan for one or more reservoirs.

The Directors then discussed benefits of the various locations. Director Smith discussed the benefit of upstream storage vs. storage lower in the basin. There was group consensus that the Little Beaver Reservoir location appeared to provide the greatest benefits as it may also be able to fill from both the Oak Ridge Park Ditch and by diversion from Coal Creek.

Director Franklin asked about the status of the study to enlarge Lake Avery. Craig indicated that the study is being performed by the state and that it is being done in conjunction with another study and that there is no known timeline for completion.

2017 Budget Discussion

Scott described the budget process. He said that the process requires the District have a draft budget available for inspection by October 15, notice is then provided of a budget hearing to be conducted before the end of the year.

Director Proctor shared a letter with the Board outlining a number of concerns with the District’s budget and future anticipated expenses. He reminded the Board of the District’s obligations to find alternate storage locations for its remaining water rights and requirement for filing of a diligence application by 2020. Depending upon the nature and scope of opposition to such a case, the District may not have sufficient funds. He also said that even if a project is acceptable, the District could not build such a project with its current budget, requiring a mill levy increase or grant funding.

In order to minimize potential for objection, Director Proctor urged board members to make an effort to determine whether there would be significant opposition and determine where it would come from. He also indicated that the Board would need to continue to work with potential funding partners.

The Board discussed the need for participation at the Basin Round Table and with the Colorado River District. They also discussed the value of the District’s water rights and how and whether the direct flow water rights could be used and what actions could be taken by the Board. The Directors then discussed a timeline for preparation of water court applications. Scott indicated that he anticipates that there will be objectors to the water court applications that may include the previous objectors to make sure that the terms of the respective stipulations are met along with possible new objectors if the water rights are moved to properties where the District does not have agreement with the property owner about how to proceed.

Director Proctor then walked through a draft budget, attached, which is to be revised and finalized for submittal to the Board.

New Business

Scott indicated that Director Rogers’s term expires at the end of October and that he had submitted a petition for re-appointment. This leaves one vacancy. The Directors will see if there are any other potential candidates that would wish to join the Board.

Adjourn

The meeting adjourned at 4:30 p.m.

Read and approved this \_\_\_ day of \_\_\_\_\_\_\_\_\_, 2016

Signed: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Attest:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**YELLOW-JACKET WATER CONSERVANCY DISTRICT**

**PROPOSED BUDGET FOR 2015**

**SUBMITTED FOR BOARD REVIEW AND APPROVAL**

The attached proposed budget is prepared for consideration by the Board of Directors of the Yellow Jacket Water Conservancy District (“District”). The primary funding source for the District comes from property tax revenues from Rio Blanco, Moffat, and Garfield Counties. The assessed value of property within the District remains relatively steady for 2017. This budget considers maintaining the District’s present mill levy of 0.209 mills. This budget considers a slight decrease in revenues for 2017.

Expenditures of the District, however, have increased considerably over the past several years due primarily to litigation over its portfolio of conditional water rights. That litigation has now ended and the District will now begin the next stages toward development of these water rights. The legal agreements that settled past concerns also established a very specific schedule for the use, movement or abandonment of the remaining YJWCD water rights. The District is also at the point it must start preparation of its next due diligence package.

 The District‘s budget format follows the previous year’s format that separates “Operating Expenses,” which includes: Postage, Office Supplies, Checks, CPA Fees, Publication Fees, Meetings, Supplies, Treasurer’s Fees, Meals and miscellaneous reimbursement for unanticipated expenses and “Legal Fees” are limited to such fees and do not include other costs.

 The District anticipates incurring additional engineering fees in 2017 as it works to develop its long term master plan for its water rights portfolio and expand upon previous studies for the feasibility of its water rights.

 The budgetary basis of accounting the District uses is cash basis.

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| INCOME/ASSETS | **2015 Actual** | **2016 Estimated** | **2017 Proposed** |
| Fund Balance January 1st  | $4,908.44 | $2,315.87 \* | $42,634.10 |
| YJ Reserve Checking | $5,008.35 | $5,010.00 | $7,065.00 |
| Property Tax |  |  |  |
|  Rio Blanco | $20,068.07 | $23,650.00 | $22,595 |
|  Moffat | $6,569.30 | $5950.00 | $5,430 |
|  Garfield | $290.80 | $273.00 | $276 |
| Highland Ditch | $1,500.00 | $1,500.00 | $1500 |
| Misc.  | $0.00 | $0.00 | $0.00 |
| **Total Available Funds** | **$38,344.36** | **$38,698.87** | **$39,500.10** |

\*Adjusted after final payment of 2015 obligations in 2016.

For Scott to revise.

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| **Expenditures** | **2015 Actual** | **2016 Estimated** | **2017 Proposed** |
| General Operating |
| Legal Fees | $18,000.00 | $9,000.00 | $11,000.00 |
| Operating Expenses  | $2,974.05 | $5,000.00 | $5,000.00 |
| Engineering | $9,991.30 | $15,000.00 | $13,000.00 |
| Total General Operating | $30,965.35 | $29,000.00 | $29,000.00 |
| Reserve  | $5,063.14 | $7,064.77 | $9,065.00 |
| **Ending Fund Balance** | **$2,315.87** | **$2,634.10** | **$1,435.10** |