November 12, 2012

Balcomb & Green, P.C.

Attorneys at Law

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Via U.S. Mail

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***Re: YJWCD – Meeting November 19, 2012***

Dear Directors:

Attached are agenda, minutes, and revised red-line Draft Budget for 2013 for the Yellow Jacket Water Conservancy District. Please note the time and location. Unfortunately the present budget does not have room for dinner, so bring a snack. It is important for you all to attend so that a quorum is present.

***CWCB Study***. In October, Kelly Sheridan and I attended the quarterly meeting of the Yampa/White/Green Basin Round Table (“BRT”) to discuss the status of District’s Reservoir Feasibility Study. We indicated that we had provided comments on the first phase of the study, but that it was on hold while the District continued with the legal challenges to its water rights. Additionally, the BRT had decided to put a stop to funding pending a presentation from the District.

The BRT authorized payment to complete Phase I of the study but then voted to stop payment on future phases of the study. This does not prevent the District from returning to the BRT in the future for additional funding under a separate grant proposal. It does, however, allow the District time to evaluate its options pending the appeal.

Termination of the study also frees-up money that was previously allocated for the District’s matching component of the study.

**Livingston Lawsuit**. Also attached is a copy of the first Amended Complaint filed by Joe Livingston against the District alleging violations of Colorado Budget Law and TABOR. The complaint does not vary significantly from the version we sent earlier.

We have accepted service of the complaint. Trina Zagar Brown and AMEC have been served. I have spoken with both Trina and the attorney for AMEC who are considering options. The District must either file an Answer (admitting or denying the allegations in the complaint) or file a motion to dismiss the complaint by November 26, 2012.

Ironically, the District would benefit in the short term by admitting that it could not pay one year’s bills out of a subsequent year’s budget and having legal and engineering fees that carry over to the subsequent budget year to be voided. However, this position could have long-term impacts on the District’s ability to determine how it manages its business. It also puts Livingston in the position to direct board activities through litigation. The Board’s determination of how to proceed with this litigation may influence decisions concerning the 2013 Budget.

**2012 Budget Discussion**. Attached is a copy of the letter prepared by Walt Proctor that describes re-allocation of funds to pay some of the District’s 2012 bills. It proposes using half of the District’s $10,000 CD and $11,000 from the study to pay anticipated bills.

**2013 Budget Discussion.** We previously provided a proposed budget for 2013. Since then, I have reviewed the budget limitations based upon the assessed values and determined that the District needs to reduce its mill levy from 0.21 to 0.209 to stay within the statutory limits. This is due to an over-collection in 2012 and adjustment of the base revenue.

Also attached are two letters stating objections to the 2013 Budget. These letters are from Joe Livingston and Ted Edmonds expressing the same concerns that are raised in the complaint. These are essentially that the District cannot pay bills from 2011 in 2013.

**Director Appointments.** We posted notice of available positions for the vacant director positions. However, no applications were received. We then filed a motion with the court requesting that we be ordered to republish notice and seek directors. Please let me know if you know of anyone who would be willing/interested to serve on the Board. It is important to find additional directors in order to insure that a quorum is present at future meetings.

Please let us know if you have any questions.

Very truly yours,

Balcomb & Green, P.C.

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Scott Grosscup

Encl.