

Special Meeting – November 9, 2009

Board Members

Mike Hayes
Craig Johnston
Tony Lucas
Gary Peterson

Visitors

Judy LaCrosse

Excused Absence

Jim Matchett

Staff / Consultants

Sue Byrnes – District Staff
Alan Hill – Tienken & Hill, LLP
Diana Miller – District Manager
Scott Monroe – Semocor, Inc.
Greg Sullivan, Spronk Water Engineers, Inc.

1.0 Call To Order

The meeting was called to order at 16:30.

2.0 Summary of Amended Inclusion Agreement and Agreement to Purchase Water Rights

Mr. Alan Hill, the District's legal counsel, summarized the Amended Inclusion Agreement for the Remuda Ranch. The original dedication of the 32 acre feet of consumptive use water was reduced to 31.5 acre feet due to a lot reduction that occurred during the Douglas County Rural Site Plan Process. The original inclusion agreement provided a mechanism for Wiens Ranch Company, Inc. to take over the Water Court case; the language was removed. The original inclusion agreement allowed for Wiens Ranch Company, Inc. to dedicate additional Pleasant Park water rights to the District for stock watering; the language was removed.

Mr. Hill summarized the Agreement to Purchase Water Rights. The Wiens Ranch Company, Inc. would sell to the District the water remaining in the ditch after the 31.5 acre feet dedication. Current engineering analysis of the total consumptive use estimates are approximately 86 acre feet per year. The agreement contemplates the District purchasing 54.5 acre feet of water at a purchase price of \$30,000 per acre foot. The District would pay the legal costs associated with the Water Court

case. He added that the historical consumptive use of the water could be higher or lower as a result of the Water Court decision.

3.0 Discussion

Director Peterson advised the Board and audience that he had met with Director Matchett over the weekend and that some of the questions and concerns that would be communicated during the Board Meeting would be reflective of their discussion.

Director Peterson asserted the importance of controlling the flow in the Pleasant Park ditch and working with the Paulks to insure that the District and the Paulk's water diversions are accurate.

Director Peterson requested that the District Manager obtain a deposit from Wiens Ranch Company, Inc. if it appears that any additional expenses related to the Remuda Ranch inclusion would be incurred in 2010.

Director Lucas requested clarification on the District's ability to inspect diversion records from other Pleasant Park ditch owners. Mr. Hill advised that the information was assessable from the State Engineer's Office.

The Board discussed different options to recoup the cost associated with the purchase of the Pleasant Park ditch water rights in the short term (prior to a Water Court decision, which could take two to three years). It was suggested that the water could be leased back to Wiens Ranch Company, Inc. Mr. Hill advised the Board that they should not consider a lease option with Wiens Ranch Company, Inc. until after a Water Court decision is made. He added that water lease decisions were typically early in the year with a term of one year, restricting the District's ability to utilize the water in the ditch. Mr. Hill added that a Substitute Water Supply Plan could be developed which, if approved, would allow the District to utilize a percentage of the Pleasant Park Ditch water prior to a Water Court decision. He advised that much of the information required to develop a Substitute Water Supply Plan could be utilized in the preparation of the District's Water Court case.

Director Peterson inquired into the possibility of Spronk Water Engineers, Inc. developing an analysis that would extrapolate the historical price of senior, renewable water. Mr. Sullivan advised that the preparation of the analysis was conceivable.

Mr. Sullivan provided various scenarios related to the outcome of the Water Court proceedings.

Both Mr. Sullivan and Mr. Hill recommended the purchase of the water rights.

Director Hayes advised the Board that with that the acquisition of the Pleasant Park ditch water rights and with the development of the District's reservoir storage, the combined costs are much lower than the original reservoir storage estimates. Director Hayes was confident that the District would have some storage available in the next three years.

Director Peterson stated that with the water being currently available for purchase, recognizing that the opportunity may never exist again and with the knowledge that the value of the water rights will increase in the future, felt that the District should purchase the water rights.

Director Johnston offered that he thought the purchase of the water rights was important for the longevity of the District, even when considering the price of \$30,000 per acre foot. He added that the water rights were solid, senior and fit well into the District's water rights portfolio. He requested that the District Manager move forward with the closing as soon as possible.

Director Lucas added that the Water Court risk is manageable with the District's capital funds.

4.0 Execute or Terminate Agreements

A motion was made and seconded; (RESOLUTION 09-112): TO EXECUTE THE AMENDED REMUDA RANCH INCLUSION AGREEMENT WITH WIENS RANCH COMPANY, INC. AND TO EXECUTE THE AGREEMENT TO PURCHASE WATER RIGHTS FROM WIENS RANCH COMPANY, INC. The motion passed unanimously.

Director Peterson requested that the meeting minutes reflect the detailed discussion that led to the Board's decision to purchase water rights.

Director Hayes requested that a press release be prepared for the next edition of the Perry Park Sentinel.

5.0 Audience Participation

There was none.

6.0 Adjournment - A motion was made and seconded; (RESOLUTION 09-113): TO ADJOURN THE SPECIAL BOARD MEETING. The motion passed unanimously. The meeting adjourned at 18:05.

ATTEST:

Secretary