Call to Order
Chair Steve LaBonde called the meeting to order at 8:00 a.m. in the Anasazi Room of the Doubletree Resort Hotel, 501 Camino Del Rio, Durango, Colorado.

Roll Call and Declaration of a Quorum
Board members present: Chair Steve LaBonde, Vice Chair Doug Monger, Secretary/Treasurer Greg Higel, Greg Fisher, Steve Harris, Frank Kugel and Ty Wattenberg. Don Carlson and Ann Nichols were present via conference call but could not hear well enough to participate. A quorum was declared with seven Board members present.

Also participating via conference call were Water Quality Control Division Staff Dave Akers, Dick Parachini and Mike Beck. Authority Staff present on the call were Nick Walter, Jeremy Wendt and Ryan Shipley.

Approval of Minutes – August 23, 2011
The Minutes of the August 23, 2011 Board meeting were presented for approval. Page 7, LaPlata Future Projects Escrow, was amended to remove the phrase “. . .because the Tribal Council had ordered Weeminuche to bid on the project.” A motion was made to approve the Minutes as amended.

Motion by:  Steve Harris
2nd by:    Doug Monger
Vote:      Motion carried

Consent Agenda
Chair Steve LaBonde announced that the following items were included in the Consent Agenda and asked if there were any objections: Agenda Item 8(a) SHLP Matching Grant Applications, St. Charles Mesa Water District and the City of Fort Morgan. A motion was made to approve the Consent Agenda.

Motion by:  Frank Kugel
2nd by:    Greg Fisher
Vote:      Motion carried

Other Agency Reports
Water Quality Control Division (WQCD) – See written report. Donna Davis stated that the Capacity Development Program report required by federal statutes referred to in the written WQCD report as being due on September 30, 2011, was completed and delivered to the Governor on time. Mike Brod stated that EPA had reconsidered taking DWRF grant funds for a national SSTTA set-aside, and those funds would be added back to the grant. Mike Beck added that the 2011 DWRF Capitalization Grant Agreement would be amended by EPA.

Colorado Water Conservation Board (CWCB) – See written report. Mike Brod added that the CWCB was reorganizing and had named Tim Feehan and Tom Browning as Assistant Directors.

Dept. of Local Affairs, Division of Local Government (DLG) – No report.
**Authority Reports**

*Report of Board Chair* – Mr. LaBonde discussed the Board request for a work session and suggested setting a date early in November. The Board decided to meet November 11th at 10:00 a.m. Mr. LaBonde stated that the Nominating Committee was comprised of Ann Nichols and himself, and that the Committee made the following recommendation for officers of the Authority Board for the 2011-2013 term: Chair Doug Monger, Vice Chair Greg Higel and Secretary/Treasurer Greg Fisher. A motion was made to elect officers of the Authority Board as recommended.

**Motion by:** Steve Harris  
**2nd by:** Ty Wattenberg  
**Vote:** Motion carried

*Report of Treasurer* – Greg Higel referred to the written Treasurer’s report in the Board materials and asked if there were any questions. Duane Dohrer briefly discussed the September 1st bond debt service, stating that Staff had transferred approximately $59 million in bond debt service payments. Mr. Dohrer also stated that $7.9 million in the DWRF and $20.1 million in the WPCRF had been released for use as reloan funds. Following Mr. Dohrer’s comments, a motion was made to accept the Treasurer’s report.

**Motion by:** Greg Higel  
**2nd by:** Steve Harris  
**Vote:** Motion carried

*Report of Executive Director* – See written report. Mike Brod introduced Russ Howard, General Manager for the Animas-La Plata OM&R Association. Mr. Howard discussed the status of the punchlist items remaining on the project, and stated that the list was 187 pages long. The Board discussed responsibility for the cost of the punchlist items and the timing of the OM&R Association becoming responsible. Mr. Brod reported that the Animas-La Plata Water Conservancy District had approached the Authority concerning the possibility of negotiating similar purchase terms to those offered to the City of Durango for the District’s contracted amount.

*Report of Executive Director – CCBIT, Inc. Annual Network Proactive Support Agreement, Resolution No. 11-40* – Mike Brod stated that CCBIT, Inc. had not increased its annual support costs since 2002, even though the Authority’s IT system complexity had increased steadily. CCBIT had proposed an increase in annual fees from $18,000 to $31,800 to become effective November 1, 2011, and Staff had recommended approval of the proposal. Mr. Brod introduced Resolution No. 11-40 approving the Network Proactive Support Agreement with CCBIT, Inc. for information technology services. A motion was made to adopt Resolution No. 11-40.

**Motion by:** Doug Monger  
**2nd by:** Ty Wattenberg  
**Vote:** Motion carried

*Report of Executive Director – GEI Change Order #6, Resolution No. 11-41* – Mike Brod stated that Long Hollow Change Order #6 submitted by GEI Consultants, Inc. had been withdrawn. GEI Consultants, Inc. was using the remaining $6,000 previously approved and for now, would not request any additional funds. Upon a comment from the Board, Dan Law stated that there probably would not be any future funding request. Resolution No. 11-41 was withdrawn.

*Report of Legal Counsel* – Karl Ohlsen, on behalf of Mary Hammond, stated that he had no separate report. Mr. Ohlsen also expressed his appreciation for the invitation to join the Authority Board on the tour of the Animas-La Plata Project.

To accommodate conference call participants, Chair Steve LaBonde called for Agenda Item 7(f) next.
**Water Pollution Control Revolving Fund (WPCRF)**

*CDM Change Order #1 – Resolution No. 11-45*

Mike Brod reviewed the status of the Nutrient Cost/Benefit Study and the events leading to the request from CDM for Change Order #1 in the amount of $19,975. Dave Akers and Dick Parachini reviewed the proposed changes for Regulations 31 and 85 as submitted on September 30, 2011. Specifically an exemption would be extended for mechanical systems discharging up to 500,000 gallons/day or less rather than 100,000 gallons/day or less. The Study was developed based on the July 5, 2011 regulations. Messrs. Akers, Parachini, Brod and CDM staff believed that the Study should be based on the revised Regulations to have a consistent comparison basis. The Board discussed the total Study cost and the work product produced in detail as well as whether additional work would produce much change in the final result. Resolution No. 11-45 was introduced, approving Change Order #1 for Camp Dresser McKee, Inc. for the performance of additional services to the Cost/Benefit Study of the impacts of potential nutrient controls for Colorado point source discharges. Following additional discussion of prioritization options and the potential for a Phase II study, a motion was made to disapprove Resolution No. 11-45.

Motion by: Steve Harris  
2nd by: Frank Kugel  
Vote: Motion carried 6-1, LaBonde opposed

To accommodate a number of guests present at the meeting, Mr. LaBonde turned to Agenda Item 10(a), La Plata Future Projects Escrow, Long Hollow Reservoir Status Report.

**La Plata Future Projects Escrow**  
*Long Hollow Reservoir – La Plata Water Conservancy District Presentation*

Brice Lee introduced several members of the La Plata Water Conservancy District Board of Directors and reviewed the recent history of bid negotiations for the proposed Long Hollow Reservoir. Mr. Lee stated that some savings had been identified, other changes were being considered and the District believed that the project could be made to work. Weeminuche Construction Authority had extended its bid for an additional 120 days in order to continue negotiations. Mr. Lee expressed his desire to have a new proposal available for the Authority Board at its December 2 meeting. Mike Brod discussed the project budget and other possible funding options. Mr. Lee reported that Matt Gavin, Dam Safety Engineer for Region 7, intended to finalize the design review by the end of the year. The Board discussed use of Authority cash for additional funding, and also discussed the need for more than a 12% contingency fund. Bradley Hight, of the Ute Mountain Utes, told the Board that the Tribe wanted the Long Hollow Reservoir to proceed and would do whatever it could to see the project go forward. Mr. Hight added his confidence in the Weeminuche Construction Authority to deliver a successful project on time and within budget. The Authority Board requested a proposal for action in December.

To accommodate a guest present at the meeting, Mr. LaBonde called for Agenda Item 8(b), SHLP Loan Applications.

**Small Hydropower Loan Program (SHLP)**  
*Loan Application – Tri-County Water Conservancy District, Resolution No. 11-44*

Keith McLaughlin introduced Mike Berry, District Manager for Tri-County Water Conservancy District, and presented an application for a direct loan in the amount of $2 million at an interest rate of 2.0% over a term of 20 years. The proposed loan would finance a portion of the construction of a 7 MW (two turbines) hydroelectric generating facility to be added to the existing outlet works of Ridgway Dam. The construction includes penstocks, a single metal-framed powerhouse, 0.8 miles of distribution line and a substation that boosts the voltage from 24.9 kV to 115 kV so that the project can be interconnected with the regional power grid. The project is expected to generate 22.6 GWh annually and would provide revenue to offset future water rate increases for the District. The proposed loan is secured by water and electric system revenues. The total estimated project cost is over $18 million and other funding would come from a CWCB loan ($9,090,000) and District reserves ($4,080,000). The District was also approved for a maximum amount of $6.5 million in Qualified Energy Conservation Bonds (“QECB”) and may use these bonds to fund the remaining project expenses; but, if favorable project bids are received,
the QECB’s will not be used. The most conservative estimate of the project budget from the feasibility study was nearly $13 million. Mr. McLaughlin stated that the Project Finance Committee had forwarded a favorable recommendation with conditions. The District had requested a Lease of Power Privilege from the BOR, which was awarded January 28, 2011. The Lease of Power Privilege is expected to be finalized in December 2011 after the BOR completes a NEPA review for the project, including preparation of any environmental assessment. The District is working with the Corps of Engineers to determine whether a 404 permit will be required. Mr. Harris questioned the condition of requiring either a 404 permit or a letter stating that the 404 permit was not required, and suggested removing the necessity for the letter if the permit was not required. Mr. McLaughlin reviewed the proposed project budget and payback analysis and stated that the Authority’s proposed loan would be on parity with the CWCB loan. The District is currently in negotiation with the San Miguel Power Association/Tri-State Generation and Transmission and the City of Aspen/Municipal Energy Agency of Nebraska to develop a power purchase agreement.

Mr. Berry stated that there would be no changes in operation of the dam, and that the typical drainage from the basin was more than twice the capacity of the reservoir. Mr. McLaughlin introduced Resolution No. 11-44, providing for approval of a SHLP loan to the Tri-County Water Conservancy District and execution of a Loan Agreement and other documents necessary therefor, subject to the following conditions: 1) Execution by the Governmental Agency of a power purchase agreement; 2) An increase in user rates, if necessary, sufficient to meet the Authority’s rate covenant prior to loan execution; 3) Submission by the Governmental Agency of final design and cost estimates for the Project that confirm Project feasibility within budget, and of evidence that award of a construction contract in line with the estimates is imminent; 4) All project financing in place prior to loan execution; 5) Prior to loan execution, the Governmental Agency shall create a reserve fund equal to one year of debt service, and shall maintain such reserve fund during the life of the loan; 6) Receipt by the Governmental Agency of a Lease of Power Privilege from the Bureau of Reclamation; 7) Receipt by the Governmental Agency of a 404 Permit from the Corps of Engineers, if necessary; and 8) Finalization of an interconnection agreement between the Governmental Agency and San Miguel Power Association or Tri-State Generation and Transmission Association. A motion was made to adopt Resolution No. 11-44.

Motion by: Doug Monger
2nd by: Frank Kugel
Vote: Motion carried

Mr. Berry expressed the District’s gratitude for the Board’s approval and appreciation of Authority Staff assistance in preparing the project loan package.

Mr. LaBonde moved up the Budget and Audit Committee report to accommodate WQCD Staff.

**Committee Reports**

**Budget and Audit Committee – 2012 Draft Budget, BKD Audit Engagement Letter – 2011 Audit**

Duane Dohrer referred to the 2012 Draft Budget included in the Board’s materials, and stated that the Budget and Audit Committee had forwarded the draft to the full Board with a favorable recommendation, with no recommendation on the $815,000 in new funding requests from the WQCD. Mr. Dohrer provided a recap of the funding requests and the Board decided to address each request on an individual basis prior to authorizing the full 2012 Draft Budget for publication. Dave Akers, Dick Parachini and Donna Davis were all available to answer questions from the Board. The first new funding request considered was $100,000 for Statewide Water Quality Management Planning Support. The funds would be used to develop and implement an education and outreach program to inform and recruit a cross section of stakeholders to participate in the management of water quality on a watershed basis. Dick Parachini responded to questions from the Board. A motion was made to include the $100,000 request in the 2012 Draft Budget.

Motion by: Steve Harris
2nd by: Frank Kugel
Vote: Motion carried 6-1, Wattenberg opposed
The next new funding request considered was $200,000 for Long Term Maintenance Activities of Nonpoint Source Control Projects. The program would identify completed nonpoint source control projects that required inspection and possible maintenance to assure the integrity of the constructed best management practices related to mine reclamation projects, specifically legacy mine waste pile isolation integrity, thereby eliminating potential liability concerns for state agencies. Dick Parachini responded to questions from the Board. A motion was made to include the $200,000 request in the 2012 Draft Budget.

Motion by: Greg Fisher
2nd by: Doug Monger
Vote: Motion carried 6-1, Wattenberg opposed

The Board considered the request for $400,000 to expand the WQCD Surface Water Quality Monitoring Capacity. The funds would be used for additional surface water sampling, analysis and data assessment activities. Dave Akers explained that if approved, these funds would be used to monitor such items as physical parameters, metals, inorganic and organic parameters; and that any funds received in support of nutrient monitoring could not be used for the broader studies. Following additional discussion, a motion was made to deny the inclusion of the $400,000 request in the 2012 Draft Budget.

Motion by: Ty Wattenberg
2nd by: Greg Higel
Vote: Motion carried 6-1, Kugel opposed

Donna Davis explained WQCD’s request to replace two ARRA temporary positions with 1.7 full time FTE. One FTE would become a Project Manager in the Grants and Loans Unit, the half FTE would work as an Administrative Assistant in the Engineering Section, and the remaining position would provide GIS support. The total annual cost for the additional FTE would be $100,000. A motion was made to approve the additional FTE request.

Motion by: Steve Harris
2nd by: Frank Kugel
Vote: Motion carried 6-1, Wattenberg opposed

Donna Davis requested an additional $15,000 for WQCD overhead operating cost increases such as transportation. A motion was made to approve the $15,000 request.

Motion by: Greg Fisher
2nd by: Frank Kugel
Vote: Motion carried

Ms. Davis also presented the WQCD’s request for an additional $67,500 for laboratory work. A motion was made by Frank Kugel, seconded by Steve Harris, to authorize inclusion of the $67,500, but the motion was withdrawn when it was pointed out that the request was for funds already included in the overall proposed WQCD budget.

Duane Dohrer presented the proposed engagement letter from BKD, Inc. for the 2011 annual audit, in the amount of $83,500. The Board discussed the continuing need for conducting a single audit on both SRF programs and the length of time that BKD, Inc. had been retained as the Authority’s auditor. A motion was made to approve the BKD, Inc. Engagement Letter for the 2011 fiscal year audit.

Motion by: Ty Wattenberg
2nd by: Greg Fisher
Vote: Motion carried

Mr. Dohrer requested approval to publish the Draft 2012 Budget with the inclusion of the just-approved $415,000 in new funding requests from the WQCD. The Board discussed the proposed construction schedule for Long Hollow Reservoir and agreed to increase the line item for the project from $13.0 million to $17.2 million, to prevent a potential need to republish the budget if the project is constructed within the 2012 fiscal year. The Board also discussed personnel issues and confirmed that the 2.0%
overall increase in Salaries Expense included in the draft budget be allocated at the discretion of the Executive Director. A motion was made to authorize publication of the Draft 2012 Budget as amended.

Motion by: Steve Harris
2nd by: Greg Higel
Vote: Motion carried

Mr. LaBonde noted that Bruce Whitehead was present to speak with the Board and turned to Agenda Item 10(b), Animas-La Plata Project.

Animas-La Plata Project
Status Report
Mike Brod and the Board expressed their appreciation for the reception hosted by the Southwestern Water Conservation District. Bruce Whitehead stated that Southwestern WCD appreciated the efforts that the Authority has made in assisting with water supply projects, particularly its efforts to move the Long Hollow Reservoir project along, and thanked the Authority Board for its willingness to conduct meetings in the area. Mr. Whitehead stated that his purpose in addressing the Board was to inform it that the Animas-La Plata Water Conservancy District planned to move forward with long-term financing for its purchase option of 700 ac-ft of annual depletion in the Animas-La Plata Project, and would seek terms similar to those offered to the City of Durango. The ALPWCD planned to present a proposal to the Authority at the January 2012 meeting. The Board discussed the final costs allocation and the existing purchase option contract.

Drinking Water Revolving Fund (DWRF)
ARRA Funding Update
Keith McLaughlin reported that 95% of all ARRA project funds had been expended and 15 were now closed. Staff had visited all of the ARRA projects with open project accounts to assist in assuring that as many projects were closed by the end of the year as possible. The IG’s office had met with Hi-Land Acres Water and Sanitation District but there had been no further communication. The Department of Labor had addressed the Davis-Bacon issues, stating that one job had been classified incorrectly, and the issue appeared to be nearing a resolution. According to the District’s engineer, the general contractor had agreed to make a final payment of $3,300 that was still outstanding.

Drinking Water Revolving Fund (DWRF) and Water Pollution Control Revolving Fund (WPCRF)
Proposed Intended Use Plan Changes for 2012 and 2013
Keith McLaughlin reviewed the efforts of Authority Staff, in collaboration with WQCD, DOLA and Northbridge Environmental Management Services, over the previous eight months to develop a project priority ranking and scoring system that more closely reflects the goals of the State and EPA and that provides a more comprehensive comparison of governmental entities. Mr. McLaughlin stated that the changes proposed for 2012 would apply to both the DWRF and the WPCRF Intended Use Plans (IUP) which were being presented to the Water Quality Control Commission for adoption on October 11, 2011. The process had included three stakeholder meetings, and the final report was available through a link on the Authority’s website. The primary difference for 2012 would be to adopt three application deadlines for 2012 only; however if there were remaining 2011 funds, applications could be received in December 2011 and March 2012. Application deadlines for 2012 funds would be June 15, September 15 and December 15, and in 2013, the application cycle would add a March 15 deadline. Implementing the delay in the application cycle would allow Staff to prioritize projects based on knowledge of actual funds available and EPA requirements rather than estimated amounts. The June application period would be the only time that an application for principal forgiveness funds would be considered. The Board requested that an updated application and hearing schedule be posted on the Authority website. The other change for 2012 was the development of a Notice of Intent to Apply, which would be a one or two page form, notifying the intent to apply for SRF funding. The information would aid WQCD in preparation of the Fundable Projects List for the IUP and allow for better management of the program. The Board discussed
stakeholder involvement and the number of comments that had been received after the September 30 deadline. Donna Davis noted that a number of project submittals had arrived after preparation of the Project Eligibility List. The Water Quality Control Commission had requested that the WQCD present the 2012 IUP at the October 11 meeting, but stated that the WQCC would delay any approval action until its November 14th meeting.

Changes currently proposed for 2013 would affect only the WPCRF program, although it is the intent of the SRF Committee to change the DWRF program to mirror WPCRF changes as necessary. Prioritization categories and weighting would be revised based on the Integrated Project Priority System Model (IPPS). The current prioritization point system would be removed from the Rules (Regulation No. 51) and included in the 2013 IUP to allow for greater flexibility in adjusting future points and/or categories. Planning and Design Grant applications would also be prioritized, based on a subset of the WPCRF IPPS model that is weighted towards the Financial/Affordability category, and would also require a 20% match. The proposed changes for the 2013 IUP require a rule making change that is scheduled for hearing on April 9, 2012. Mike Beck reminded the Board that they could participate via webinar in the final stakeholder meeting on October 12. The Board also requested that the prioritization process be discussed in greater detail at its November work session.

**Project and Matching Account Fund Investments**

Keith McLaughlin reported that one rating change to the Authority’s repurchase agreement providers had occurred since the last Board meeting. Societe Generale was downgraded by Moody’s to Aa3 from Aa2. Standard and Poor’s and Fitch ratings remained unchanged. Societe Generale holds one repurchase agreement with the Authority for the Clean Water 2007A Revenue Bonds, with a principal balance of $13.9 million. Under the terms of the agreement, action is not required.

**Status of Projects – Deferred due to time constraints.**

**Water Pollution Control Revolving Fund**

**ARRA Funding Update**

Keith McLaughlin reported that 92% of all ARRA project funds had been expended and only two projects remained open. The City of Manitou Springs should be able to close its project by November 1 but the City of Pagosa Springs would likely not have the project closed out until next year due to weather related construction issues.

**Loan Applications – Town of Eckley, Resolution No. 11-42**

Keith McLaughlin presented a request from the Town of Eckley for a WPCRF Disadvantaged Communities loan in the amount of $1,079,000 at an interest rate of 0% for a term of 20 years, secured by sewer system revenue. The proposed project would dredge and reline the two existing primary lagoons, replace surface aerators, install a new security fence, replace and install three new monitoring wells, install three new flow meters, replace all existing wastewater treatment plant interior mechanical piping, valves and intake structures, and rehabilitate existing sewer collection lift stations and install four new pumps. The current lagoon system does not meet CDPHE minimum seepage requirements and exceeds effluent requirements for five-day biochemical oxygen demand or total suspension solids. The proposed project would allow the Town to obtain a general permit to discharge wastewater. Mike Beck explained that the seepage problem had been identified when the Town applied for a general discharge permit. Currently the Town is discharging wastewater without a permit and is working under a compliance schedule. The Project Finance Committee had asked if there was time for the Town to seek other grant funding and had forwarded the proposed project without a recommendation. Mr. McLaughlin reviewed the Town’s credit report and Mr. LaBonde discussed options for the Town’s compliance schedule. The Board also discussed whether the project could be reduced to something more affordable or whether additional grant funds could be located. A motion was made to table the application subject to further investigation of funding and project options that would be affordable to the Town.
Motion by: Steve Harris  
2nd by: Ty Wattenberg  
Vote: Motion carried

Proposed Intended Use Plan Changes for 2012 and 2013 – See DWRF.

Project and Matching Account Updates – See DWRF.

Clean Water 2011 Series A Bonds, Resolution No. 11-43
Keith McLaughlin stated that the Clean Water 2011 Series A Bonds would include four borrowers, Fountain Sanitation District for $7 million, Town of Windsor at $3.1 million, Pueblo West Metropolitan District for $5.34 million and Town of Nederland at $2 million. Ratings were expected on October 11, the bonds would sell on October 20, and closing was scheduled for November 2-3, 2011. The bond resolution authorized up to $6 million in state match, $15 million in federal capitalization grant allocation and an administrative fee of up to 0.8% because there were minimal earnings during construction as discussed by Staff. The bond principal amount was not to exceed $19 million, the net interest rate was not to exceed 7.0% and the final maturity was not to exceed September 1, 2034. A motion was made to adopt the Clean Water 2011 Series A Bonds Resolution No. 11-43.

Motion by: Steve Harris  
2nd by: Greg Higel  
Vote: Motion carried

Status of Projects
Keith McLaughlin advised the Board that in addition to the Town of Boone, Mountain View Villages Water and Sanitation District had also contacted Authority Staff regarding potential repayment issues due to economic conditions in the area. The Board asked that potential repayment issues be added to the workshop agenda.

Arrangements for Future Meetings
The next meeting of the Authority Board will be held at 9:00 a.m. on Friday, December 2, 2011, and January 25, 2012, in Denver. The January meeting would be held in conjunction with the CWC Annual Conference.

Adjournment
The meeting was adjourned at 1:30 p.m.

Respectfully submitted,

_____________________________________________
Keith McLaughlin, Assistant Secretary

NOTE-FOR INFORMATION ONLY - COPIES OF THE DOCUMENTS REFERRED TO IN THE TEXT OF THESE MINUTES ARE ON FILE IN THE AUTHORITY OFFICE AND MAY BE OBTAINED BY SUBMITTING A “REQUEST FOR PUBLIC RECORDS.” PLEASE CALL CAROLYN SIMON AT (303) 830-1550, EXT. 13, FOR INFORMATION.