

ANIMAS CONSOLIDATED DITCH COMPANY

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Minutes of the 131st Annual Stockholder's Meeting

March 8, 2025, 9:00 a.m.

River Bend Ranch Event Center

27846 Hwy 550, Durango, CO 81301

I. Call to Order: The President called the meeting to order at 9:07 a.m.

II. Attendance: The President reminded shareholders to sign in and deliver any proxies.

There were 234 shares present and 123 shares represented by proxy. The notice of the annual meeting was published in the Durango Herald on February 16, 2025.

III. Introductions: The President introduced the Board, staff, and consultants. Dan James, President, Dan Diehl, Treasurer; Eric Bikis, Secretary, Joe Wheeling, Director; Patti Zink, newly elected Director; Jessica Mitchell, ditch secretary/administration; and Kim Perdue, new legal counsel. The President also discussed his eventual resignation from the Board and potential replacements.

IV. 2024 Annual Meeting Minutes: George Widemeyer moved to approve the minutes, Wendy Aber seconded, and the Members unanimously voted to approve the Minutes of the March 2, 2024, meeting.

V. President's report: On the ditch there are certain infrastructure points, (e.g. Hermosa) that are really critical to keep in good repair. After the 416 fire, the Company upgraded and, in one case, added a structure to divert excess flood water. One structure is at the north end of James Ranch; one is at the main headgate; one at Waterfall Ranch; and one at Buck Teeter's former A-frame near Trimble. So, if we get a big debris flow, as happened after the 416 fire, the Company can block the ditch entirely, and turn the flow of dirty water, logs, coolers, BBQs, etc. into Animas River or into a field, pond, or settling area. Ed Zink was pivotal in making those arrangements because he had such great connections in the community and for grant money. Following installation, the new/repared structures have been amazing to minimize annual maintenance of the ditch.

In that vein the Company is trying to find other areas of the ditch that need improvement. One such area was where Tripp Creek crosses the ditch. The culvert at that crossing was too small, with no way to funnel water into the culvert, so we had situations where it failed and muddy water from Tripp Creek entered directly into ditch. Repair/replacement of the culvert was budgeted last year at \$20,000, and actual expenses came in about \$19,500, and the work is complete. Generally, the Company is trying to bite off one concrete project per year.

For the upcoming season the next project on the list is the railroad crossing at the Ranch subdivision. The D&SNGRR crosses Hwy 550 and the ditch directly above the Ranch subdivision entrance. When that bridge was installed, it was a combination of wood and steel and vertical RR rails – prone to catching trash. It was plugged in floods after the 416 fire. Now a home has been constructed in the adjoining field, upping the ante to repair the structure.

The Board is in communication with the Railroad. Because the Railroad was here before the ditch, it will cost the Company some money to work in the Railroad ROW, but the Railroad may contribute engineering and equipment. The Company is starting to save up for that work using in part the \$7,000 excess from last year's budget and budgeting another \$7,000 for this year. It will take some time to complete the design so the work most likely will happen next year and not this year. Eric Bikis is in communication with the San Juan Basin Roundtable to obtain grant money to go towards infrastructure work. They regularly have funds for ditch work but require a match.

The President mentioned again concerns with shareholders' crossings and also crossings on properties of non-shareholder properties. Many went in around the 1950s and now are rusted out. It is the responsibility of the person who is crossing the ditch to maintain and/or replace the structures, which is now getting quite expensive, up to \$20,000 to \$30,000 including concrete work. The President suggests shareholders with crossings should start

inspecting their culverts and planning for replacement. Upon request the Company will inspect and advise as to the amount of life remaining in structure.

If structures have deteriorated too much, it is no longer safe for emergency vehicles, e.g. a loaded fire truck, to cross them. So, the Company has spoken with fire department, which recommends we try to work it out amongst ourselves before involving them. If the fire department has to get involved, they will likely just close off roads. The President reminded shareholders that in summer, the Company does not shut off ditch for repairs except in the event of an absolute emergency. If shareholders see a piece of property that is up for sale and has a crossing, they are encouraged to call the ditch rider, Chris Bell. A sale presents a great opportunity for us to get repairs/replacements completed.

Eric Bikis is up for reelection to the Board and has graciously agreed to sign on again.

Question from floor: There has been a prior suggestion to install bridges rather than culverts – are bridges mandatory? The President responded it depends where the structure is on the ditch. If it's in upper portion subject to building ice, a culvert blocked up with ice can cause the ditch to shut down. So up north where the ditch runs year-round and carries 70-80 cfs, sometimes it makes more sense to build a bridge.

VI. Election of Directors: Eric Bikis is up for reelection. Noone raised a hand to contest his seat, so Eric remains on Board by acclamation.

VII. Treasurer's Report: Dan Diehl presented the 2024 financial report.

1. Profit and Loss (P&L)

- a. Income: The total income was almost \$19,000 above the budgeted figures. The excess income mostly came from transfer fees and some interest income. As we continue to see real estate movement within the valley, those transfer fees will continue, so the 2025 budget estimates \$4,000 income from transfer fees, up from \$3,000. There is no way to predict how many fees will come in in a given year, but the 2025 budget should be closer to actual income. The interest income comes from the Board's investment of some of liquidity in short-term CDs. The Company will continue to do that with some of funds, so the 2025 budget includes some interest income.
- b. Expenses: Ditch operating expenses were a little lower than budgeted. Thanks to Chris and his crew for a lot of that. The ditch's efficiency also has improved over the years due partly to the infrastructure investments the President mentioned. Although money is budgeted for the Railroad crossing replacement, the Company does not anticipate spending that money in 2025 as discussed in the President's report. Administrative expenses were over budget in 2024 but that was because the Office Manager worked on so many transfers, with the transfer fees paying administrative expenses and more. The budget for 2025 Office Manager wages is increased.

2. Balance Sheet.

- a. Assets. The balance sheet is snapshot of where we landed at end of 2024. Almost \$160,000 has rolled into another CD that will mature in June 2025 and today is valued at about \$161,500 and continuing to grow. Accounts receivables were less at year end 2024 than they were at year end 2023 meaning the Company is collecting its assessments. Thanks to shareholders for timely paying assessments. The Y2k headgate is still on asset section but listed as \$0 because it's been fully depreciated. The President mentions all structures are included on balance sheet and depreciation will be booked.
- b. Liabilities and Equity: There is an ongoing process to clean up some entries, and they will come off the books.
- c. 2025 Assessments. There is no increase to assessments for 2025 as the Company has a good amount of money in the coffers and is an efficiently run organization. Chris is keeping eyes on the ditch and maintaining good communication with the shareholders. Actually, assessments were lowered for 2024 and haven't come back up.

VIII. Ditch Walker Report: Chris Bell reported it was a great year last season. The company had to shut down portions of the ditch for only four days, and only for a few hours/overnight each time for repairs. Chris explained that 90% of reasons for shut down derive from human error. Chris reminds shareholders not to put leaves or debris in ditch. He also notified shareholders his team will start walking and cleaning the ditch this week (starting Monday) due to weather being advantageous for maintenance. Chris reminded shareholders to always place debris on the downslope (east side of ditch) and that it is shareholders' responsibility to deal with debris when placed.

Question from the floor: It can take weeks to remove all the debris accumulated including debris from sides of the ditch shareholders responsible for removal don't own. The President noted the Company cannot set a precedent of removing material for shareholders without increasing assessments to cover that additional cost. It also was recommended that shareholders proactively remove vegetation throughout the year to avoid a significant accumulation of debris when the Company conducts cleanouts.

IX. Water Report: Eric Bikis presented his Water Supply Outlook. The Company relies on SNOTEL data from NRCS-operated stations. Our region is drier than normal, perhaps due to late westerly Santa Ana winds originating in Southern California and Nevada, which blow the opposite direction we need for storms to reach us. The San Juan River is at 64% of normal; the Rio Grande is at 64%, and the Arkansas and Gunnison are also low. Northern Colorado is a little better off. For comparison, last year everything was 90-110% except for the Rio Grande. Continued snowfall in March is necessary for us to reach a normal snow year.

Question from the floor: Is SNOTEL's median artificially low based on about 20 years of its 30-year data set being drought years? Eric explained the median was higher in prior periods due to wet conditions in the 1980s. The 2000-2025 dry period has lowered the median, so the report really sounds better than it is because "normal" amounts to less snow than prior periods.

This season has been characterized by large storms followed by long dry periods. We hope "Miracle March" is on the way.

Eric showed images from the United States Drought Monitor which designate moderate drought for this region. In contrast, last year there was much less drought/severe drought throughout the west and locally.

This year our region is at 77% of the "new" median snowfall. The entire Colorado River Basin is at 92% of median, which is 75% of peak snowfall. At this time last year, we were at 100% of median and about 78% to peak.

The Teacup Diagram showed storage in reservoirs in San Juan Basin. McPhee is at 55%; Navajo 62%. Nighthorse is predicted to fill, and Vallecito definitely will fill. Overall storage throughout the state is less than last year.

Eric also analyzed Bureau of Reclamation projects for Lake Powell, historical data about water flow within the Colorado River Basin, and anticipated release necessary to meet Colorado River Compact obligations. Eric further explained that the Colorado River discharge has remained about the same over last 100 years if you eliminate the wet period at beginning of the 1900s. But, because temperatures are getting warmer, less supply is available.

Question from Floor: Will recent cuts to the workforce of Bureau of Reclamation and NOAA impact the availability of federal data? Eric commented that nothing was certain and services will likely be impacted.

X. Old Business: There was no old business.

XI. New Business: There was no new business.

XII: Adjournment: George Widemeyer moved for adjournment and Wendy Aber seconded the motion. The meeting was adjourned at 10:15 a.m.