

**EXECUTIVE COMMITTEE  
MINUTES  
September 13, 2018**

A meeting of the Executive Committee was held on Thursday, September 13, 2018 at 10:05 a.m. at the Southeastern Colorado Water Conservancy District.

Chairman Bill Long announced a quorum was present, and asked the visitors to introduce themselves.

**COMMITTEE MEMBERS PRESENT:**

Bill Long - Chairman, Carl McClure, Tom Goodwin, Gibson Hazard, Alan Hamel, and Jim Broderick

**COMMITTEE MEMBERS ABSENT AND EXCUSED:**

Curtis Mitchell, Vice Chairman Ann Nichols

**OTHERS PRESENT:**

Seth Clayton and Mark Pifher, SECWCD Board members; Lee Miller, Kevin Meador, Leann Noga, Chris Woodka, and Garrett Markus, SECWCD staff; Jenny Bishop, Colorado Springs Utilities.

**APPROVAL OF MINUTES:**

Chairman Long confirmed that members of the Committee received their copy of the September 7, 2017 minutes, and asked if there were any corrections or additions. Hearing none, Mr. Goodwin moved, seconded by Mr. Hamel, to approve the minutes. Motion unanimously carried.

**PRESENTATIONS:**

Mr. Broderick explained the meeting's purpose is to continue to discuss how to build reserves in a way that assures funding for critical operations, maintenance and replacement (OM&R) for the Fryingpan-Arkansas Project (Project) infrastructure, District operations, and Enterprise activities. The discussion continues 2017 meetings on "Framing the Future," and resuming now because the District has completed the 11<sup>th</sup> Amendment to the Project contract with the Bureau of Reclamation (Reclamation).

Secondly, the District now is looking at designating fund balances.

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Mrs. Noga called the Committee's attention to the "2018 Strategic Plan," which is being used to guide the District and Enterprise financial planning.

Mr. Woodka explained "Framing the Future," a publication summarizing activities to date related to financial planning for the District and Enterprise.

Mrs. Noga presented a PowerPoint which included:

1. **Framing the Future Recap:** History of District finances, Project Contract, OM&R Costs, miscellaneous revenues, property taxes, federal appropriations, District and Enterprise "buckets," and fund balance classifications.
2. **Future Financial Planning:** District and Enterprise.
3. **What are Fund Balance Reserves?:** Policy limits, state or federal law limits, specific-purpose funds, and coverage for unknown or unplanned events.
4. **Accounting clarifications:** Explanation of Restricted, Committed, Assigned, Non-spendable, Unassigned, and Unrestricted funds.
5. **Strategic Fund Balance Reserves Framework:** Reserves which are tied to four areas outlined in the Strategic Plan: Water Supply Storage and Power, Water Supply Protection and Efficiency, Future Water Supplies and Storage, and Core Business.
6. **District Fund Balance Reserve Accounts Targets:** Each of the following was explained. Mrs. Noga said the amounts are not money in hand, but simply targets for what may be needed.

District Fund Balance Reserve Accounts	Approved Target	New Target
Restricted		
TABOR	\$150,000	\$150,000
Committed Funds (Board Resolution)		
Fry-Ark Repayment	\$5,000,000	\$1,500,000
Enlargement	\$2,000,000	\$2,000,000
Non-Spendable	\$1,850,000	\$2,300,000
Unassigned	\$500,000	\$500,000
Assigned Funds		
<b>Water Supply Storage &amp; Power</b>		
Fry-Ark System Improvements	\$0	\$1,000,000
Cost of Service Study	\$300,000	\$300,000
<b>Water Supply Protection &amp; Efficiency</b>		
Water Rights Protection & Legal Cases	\$750,000	\$750,000
Water Shed Management & Healthily Forest	\$300,000	\$300,000
Conservation	\$50,000	\$300,000
Environmental Recovery	\$600,000	\$1,000,000
Safety of Dams	\$0	\$1,560,000
<b>Future Water Supply &amp; Storage</b>		
Fry-Ark Assets Evaluation	\$0	\$40,000
Fry-Ark Condition Assessment	\$1,000,000	\$150,000
Recovery of Storage	\$750,000	\$180,200,000
Interconnect on Pueblo Dam	\$0	\$15,700,000
<b>Core Business</b>		
Operation	\$600,000	\$300,000
Headquarters Capital Improvements	\$600,000	\$600,000
Reclamation Reform Act	\$50,000	\$25,000
<b>Total</b>	<b>\$14,500,000</b>	<b>\$208,675,000</b>

**7. Enterprise Fund Balance Reserve Accounts Targets:** Mrs. Noga followed the same procedure for Enterprise accounts, shown below.

<b>Enterprise Fund Balance Reserve Accounts</b>	<b>Approved Target</b>	<b>New Target</b>
<b>Unrestricted Accounts</b>		
<b>Rocky Ford Settlement Fund</b>		
Aurora Contract Upper & Lower	\$4,000,000	\$2,000,000
<b>Water Supply Storage &amp; Power</b>		
Excess Capacity Master Contract	\$300,000	\$300,000
Fountain Creek Transit Loss	\$60,000	\$60,000
Water Purchase	\$1,000,000	\$1,000,000
Project Water & Return Flow Revenue	\$3,010,000	\$3,000,000
Hydroelectric Power	\$1,000,000	\$1,500,000
<b>Water Supply Protection &amp; Efficiency</b>		
Safety of Dams (2024)	\$370,820	\$370,820
<b>Future Water Supply &amp; Storage</b>		
Restoration of Yield	\$1,807,500	\$1,807,500
Upper Basin Storage	\$100,000	\$100,000
Arkansas Valley Conduit	\$0	\$250,000
<b>Core Business</b>		
Fund Transfer	\$600,000	\$600,000
<b>Unrestricted Fund Balance</b>	\$500,000	\$500,000
<b>Total</b>	<b>\$12,748,320</b>	<b>\$11,488,320</b>

**8. What we know:** Mrs. Noga concluded her presentation with a recap. Today, the Committee determined a strategic framework for fund balance reserves is needed, there is a need for reserves, and the Board needs to know which reserves to support. A Committed Funds Resolution is needed, and Board action in September is needed. Financial Guidelines and Policies will be developed by the 2<sup>nd</sup> Quarter of 2019. A 6-year, 12-year, and 20-year Capital Improvement Program will be developed by the 2<sup>nd</sup> Quarter of 2019.

Mr. Broderick explained a three-year review of fund balances would initially be needed, both to conform to the District Business Plan, and to assure the Board’s comfort with the amounts. A 6-year cycle would match Project infrastructure assessments by Reclamation. Not all categories must be funded, but depend upon annual Board resolutions.

**Committee Questions, Clarifications**

1. (a) How the reserves would be set up and funded, (b) when will funding decisions be made, and (c) what reserves would be set up for catastrophic failure?

- a. The Board would decide on funding priorities after the framework for the reserves is established.
  - b. The Board would make funding decisions.
  - c. The amounts for catastrophic failure aren't known until a facilities condition assessment is completed. Mr. Markus is working on this. This will be handled in a future discussion.
2. (a) Will the \$2 million for enlargement be set aside as a fund on an annual basis, (b) would recovery of storage be sediment removal or raising the storage level at Pueblo Dam?
    - a. Mr. Broderick explained the \$2 million for enlargement is committed from past Boards.
    - b. Future Boards would determine which method to recover storage would be used.
  3. Will the \$180 million for recovery of storage cover enlargement of Turquoise as well?
    - a. The figure is cost-indexed from a 1998 plan that would have increased storage by 75,000 acre-feet; which is 55,000 at Pueblo and 20,000 at Turquoise. Enlargement of either Turquoise or Pueblo would be a decision of a future Board.
  4. Should different terminology, such as "future obligations," rather than "reserves," be used to describe cost expectations?
    - a. Future needs could be organized along the lines of capital work plans. Debt could pay for big-ticket items.
    - b. However, it would be expensive and impractical to have an election to incur debt, as required by the Colorado State Constitution.
    - c. The District is only creating targets, which do not necessarily need to be funded, and which can be changed by future boards.
  5. Should reserves be set aside for far-off projects? Construction of a Recovery of Yield reservoir is likely to be more than 10 years in the future, for instance.
    - a. The targets are for known obligations.
    - b. Targets can be changed by Board decisions.
  6. Could some of the money from the settlement with Aurora over the purchase of the Rocky Ford Ditch be used toward the Arkansas Valley Conduit?
    - a. The first payment of \$2 million in the Aurora Intergovernmental Agreement goes toward storage projects by the Upper Arkansas

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Water Conservancy District (\$1 million, by separate agreement), and to the Lower Arkansas valley (\$1 million, not to the LAVWCD). So, this is possible.

**Hydroelectric Project**

Mr. Meador brought an agreement between Black Hills Energy and the District for an interconnection agreement at the Pueblo Dam Hydroelectric Project to the Executive Committee. He explained the agreement normally would go to the Resource & Engineering Planning Committee first, but timing of parts delivery requires Board action in September.

The agreement is based on standard terms and conditions, and includes a 25-year term that is automatically renewed unless terminated by either party.

The connection fee is \$63,498, which is already included in the budget.

**ACTION ITEMS:**

Mr. Goodwin moved, seconded by Mr. Hamel, that the Executive Committee recommend that the Board of Directors Adopt the Certified Amended Resolution and Order Determining the Amount of Committed Fund Balance for Specified Purpose, Resolution No. 2018-01DF. Motion carried unanimously.

Mr. Goodwin moved, seconded by Mr. Hamel, to approve the Interconnection Agreement for Small Generating Facility, and payment of \$63,498, to Black Hills Energy Inc., subject to legal review. Motion carried unanimously.

**INFORMATION ITEMS:**

1. "2018 Strategic Plan" publication
2. "Framing the Future" publication
3. "Framing the Future Finances" PowerPoint

**OTHER BUSINESS:**

None

**NEXT MEETING**

TBD

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**ADJOURN**

Chairman Long adjourned the meeting at 11:55 a.m.

Respectfully submitted,

Chris Woodka  
Issues Management Program Coordinator