

RECORD OF PROCEEDING

**SOUTHEASTERN COLORADO WATER
ACTIVITY ENTERPRISE**

MINUTES

April 19, 2018

A regular meeting of the Board of Directors of the Southeastern Colorado Water Activity Enterprise (Enterprise) was held on Thursday, April 19, 2018 at 9:40 a.m., at the District office, 31717 United Avenue, Pueblo, Colorado.

President Long announced a quorum was present.

DIRECTORS PRESENT:

Bill Long	Ann Nichols	Curtis Mitchell
Gibson Hazard	Kevin Karney	Carl McClure
Howard "Bub" Miller	Dallas May	Greg Felt
Mark Pifher	Alan Hamel	Seth Clayton
Andy Colosimo	Patrick Garcia	

DIRECTOR(S) ABSENT AND EXCUSED:

Tom Goodwin

ENTERPRISE OFFICIALS PRESENT:

Executive Director James Broderick; General Counsel Lee Miller; Administrative Manager Toni Gonzales; Water Resources Engineer Garrett Markus; Issues Management Program Coordinator Chris Woodka; Finance Manager Leann Noga; Special Water Counsel, Steve Leonhardt and Morgan Figuers; and Federal Lobbyist Christine Arbogast.

VISITORS PRESENT:

Scott Lorenz and Abby Ortega, Colorado Springs-Utilities; Doug Fitzgerald, U.S. Congressman Scott Tipton's office; Cathy Garcia, U.S. Senator Cory Gardner's office; Dwight Gardner, U.S. Senator Michael Bennet's office; Jerry Peña, GEI Consultants; Scott Eilert and Judy Leonard, Pueblo West Metropolitan District; Tom Simpson, Aurora Water; Bill Banks, U.S. Geological Survey; Brandon Bernard, Widefield; Kortney Kelly, Fountain Valley Authority; Curt Thompson, AECOM; and Erin Wilson, Wilson Water Group.

APPROVAL OF MINUTES:

President Long said the minutes of the March 15, 2018 Board meeting were posted to the Board website for review, and asked if there were any corrections or additions. Hearing none, Mr. Felt moved, seconded by Mr. Karney, to approve the minutes. Motion unanimously carried.

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FINANCE COMMITTEE REPORT:

Treasurer Nichols reported the financial statements for March 2018 were posted to the Board website for review. Treasurer Nichols moved, seconded by Mr. Clayton, for acceptance of the March 2018 financial statements and payment of the April 2018 bills. Motion unanimously carried.

CONSENT ITEMS:

None

PRESENTATIONS:

2017 ANNUAL AUDIT

President Long convened the Enterprise Board meeting to order at 9:40 a.m. to be held in conjunction with the District Board meeting to present the 2017 Annual Audit presentation.

Treasurer Nichols introduced Mitchell Downs and Hillary Carlson, from Osborne, Parsons & Rosacker, LLP., who represent the firm that conducted the 2017 audit. Mr. Downs read the Independent Auditor's Report. Treasurer Nichols recognized the work of Leann Noga and the staff with assisting the auditors with the audit process. Leann Noga gave a special thank you to Stephanie Shipley, for the great work she did in the process.

ACTION ITEMS:

APPROVAL OF 2017 ANNUAL AUDIT

Treasurer Nichols moved, seconded by Mr. Clayton, the audit of the 2017 finance statements of the Enterprise be approved as presented. Motion unanimously carried.

APPROVAL OF 2017 FINANCIAL STATEMENTS

Treasurer Nichols moved, seconded by Mr. Clayton, that the 2017 finance statements of the Enterprise be approved as audited. Motion unanimously carried.

President Long recessed the Enterprise meeting at 9:50 a.m., and reconvened at 10:24 a.m.

FEDERAL LEGISLATION

Christine Arbogast reported earlier this month, several staff members and Board members traveled to Washington, D.C. for meetings with the congressional delegation regarding Arkansas Valley Conduit (AVC) funding. They did so in conjunction with the NWRA spring meeting and we also attended the Colorado Water Congress annual briefing of the delegation staff.

In addition, I had an unexpected meeting with OMB, scheduled by the NWRA to be a general discussion about the changing fiscal environment for the Bureau of Reclamation and OMB's cuts to the agency's budget. During that discussion, the Reclamation analyst at OMB, Alex Hettinger, raised the Arkansas Valley Conduit as an example of projects which should not rely on the federal government to be

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built. As we have long suspected, our problems on getting adequate funding to move the project forward in a timely fashion are not based in Reclamation, but at OMB.

Our group, in meetings with the delegation, requested that they make a strong push with OMB at a level well above analyst, and they agreed. Ms. Arbogast plans to have follow up meetings with the delegation on this.

Ms. Arbogast also facilitated a meeting with Deputy Commissioner David Palumbo so that Mr. Broderick could discuss issues related to the hydro project which needed immediate attention.

Watershed health issues are advancing in two areas. The Omnibus appropriations measure included a fix to the fire borrowing problem, where forest management funds were previously diverted to firefighting. In addition, the House draft of the 2018 farm bill includes several provisions for improving forest management activities, including broadening of categorical exclusions under NEPA for forest clearing.

The Interior Department's reorganization plan has not met with broad support from the Congress and particularly the appropriators. DOI asked for \$17 million to implement the reorganization; there is opposition to this expenditure when other areas of the other budget were cut significantly.

Finally, there will be change in leadership in the House. Speaker Paul Ryan announced his retirement; the frontrunner to replace him is Majority Leader Kevin McCarthy. This would be good for western water because he is very familiar with and involved in these issues. However, he is from California and sees the issues through that lens. But it will be helpful to have someone in leadership who knows Reclamation, etc.

AVC UPDATE

Chris Woodka reported the Arkansas Valley Conduit (AVC) participants attended a meeting in La Junta on March 20, 2018, to discuss the following issues:

1. New Concept Technical and Costing Evaluation Report
2. Reclamation Evaluation of New Concept Report
3. Discussion of Regionalization Concept, proposed by Reclamation
4. Enforcement Actions
5. Funding Update

Chris Woodka, Issues Management Program Coordinator for the District, and Patrick Fischer, of the Bureau of Reclamation, attended and discussed the topics with participants. Board members Bill Long, Kevin Karney, Bub Miller, and Carl McClure attended.

The group was concerned that the AVC was not funded in President Donald Trump's Budget Message for fiscal year 2019. Mr. Long suggested that a letter to Congress and the Administration should be drafted expressing the participants' desire to fund the AVC, and signed by all of the participants. The

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letter was written and as of April 9, 2018, about half of the participants had returned signatures to the District. Some participants also have chosen to send their own letters to our U.S. Senators and Representatives.

Mr. Woodka reviewed 18 enforcement orders from the Colorado Department of Public Health and Environment (CDPHE), and relayed his conversation with CDPHE staff regarding timetables that are included in the orders. The timetables reflect estimates of when funding and construction of the AVC will occur, based on conversations CDPHE had with District staff in 2015. If the federal timetable is further delayed, this could have consequences for participants. CDPHE at this point is willing to work with the District, because the AVC is the most cost-effective form of mitigation for participants.

Mr. Fischer discussed the Regionalization Concept, which would allow for interim delivery points to be established in regional hubs, as described in Appendix B of the 2013 Environmental Impact Statement. This could allow delivery of clean drinking water sooner to some communities, and would be instituted in a manner similar to phased deliveries from Pueblo Water's system under the New Concept.

Reclamation continues to evaluate the draft New Concept Technical and Costing Evaluation Report prepared by District staff and Black & Veatch Engineering in February 2018. The goal is to complete the review of the report by the end of May 2018. This will allow Reclamation to begin technical work on the AVC New Concept.

PUEBLO DAM HYDROELECTRIC PROJECT UPDATE

Chris Woodka reported construction of the Pueblo Dam Hydroelectric Project continues on schedule for a mid-2018 start-up.

Mr. Woodka presented a video he had taken at the hydro construction site, showing what progress is being made.

Garrett Markus explained the coordinated efforts of 96 hours shutdown at the hydro site.

EXECUTIVE SESSION:

Lee Miller said a request has been made for the Southeastern Colorado Water Activity Enterprise to enter Executive Session pursuant to:

- C.R.S. §24-6-402(4)(b): (Conferences with an attorney for the local public body for the purposes of receiving legal advice on specific legal questions)

- C.R.S. §24-6-402(4)(e): (Determining positions relative to matters that may be subject to negotiations; developing strategy for negotiations; and instructing negotiators)

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The Enterprise has been asked to discuss the following matter:

Lease of Power Privilege, Contract No. 17XX650016

The presence of the following persons is requested at this Executive Session:

- Non-Excused Committee Members
- Executive Director
- General Counsel
- Special Water Counsel
- Engineering Consultant
- Water Resources Specialist/Engineer
- Issues Management Program Coordinator

Minutes will be electronically recorded as required by the Colorado Open Meetings Act.

Mr. Pifher moved, seconded by Mr. Hamel, to convene into Executive Session. Motion unanimously carried. The Board entered into Executive Session at 11:16 a.m., the Enterprise meeting was reconvened at 12:12 p.m.

REPORT OUT OF EXECUTIVE SESSION:

Lee Miller reported that the Enterprise Board received legal advice and provided instructions to the negotiators on the announced matters. The Enterprise Board had no action items as a result of the Executive Session.

ACTION ITEMS:

None

INFORMATION ITEMS:

The Board was provided written material on the following topics, which were posted to the Board website:

- AVC and Excess Capacity Master Contract Update

OTHER BUSINESS MATTERS:

President Long asked if there were any other matters to come before the meeting, and hearing none, adjourned the meeting at 12:13 p.m.

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Respectfully submitted,

Toni Gonzales
Administrative Manager

Secretary

