

RECORD OF PROCEEDING

**SOUTHEASTERN COLORADO WATER
ACTIVITY ENTERPRISE**

MINUTES

October 17, 2019

A regular meeting of the Board of Directors of the Southeastern Colorado Water Activity Enterprise (Enterprise) was held on Thursday, October 17, 2019 at 9:43 a.m., at the District office, 31717 United Avenue, Pueblo, Colorado. The meeting was recessed at 10:54 a.m. and reconvened at 11:04 a.m.

President Long announced a quorum was present.

DIRECTORS PRESENT:

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

DIRECTOR(S) ABSENT AND EXCUSED:

None

ENTERPRISE OFFICIALS PRESENT:

Executive Director James Broderick; General Counsel Lee Miller; Administrative Manager Toni Gonzales; Senior Policy and Issues Manager Chris Woodka; Principal Engineer Kevin Meador; Water Resource Engineer Garrett Markus; Finance Manager Leann Noga; Accountant Stephanie Shipley; and Federal Lobbyist Christine Arbogast

VISITORS PRESENT:

Andy Klakulak and Krystal Brown, U.S. Geological Survey; George Hanzas, Catlin Canal Company; Jim Quam and Judy Leonard, Pueblo West Metropolitan District; Brandon Bernard, WWSD; Roy Heald, Security Water District and Fountain Valley Authority; Scott Shewey, Shannon Crist, Dan Dilts, Colorado Springs Utilitie and Fountain Valley Authority; Jenny Bishop, Michael Myers, and Keith Riley Colorado Springs Utilities; Brett Gracely, MATRIX Design Group; Kevin Niles, Arkansas Groundwater Users Association; Rick Kienitz, Aurora Water; Jerry Peña, Kennedy Jenks; and Bob Hamilton, SECWCD retired

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APPROVAL OF MINUTES:

President Long said the minutes of the September 19, and October 9, 2019 Board meetings were posted to the Board website for review, and asked if there were any corrections or additions. Ann Nichols asked that the approval of the October 9, 2019 minutes be tabled, and that a more descriptive wording be incorporated regarding the lengthy discussions had on the Discussion on Policies. Mr. Garcia moved, seconded by Mr. Karney, to approve the minutes of the September 19, 2019, and table approval of the October 9, 2019 minutes. Motion unanimously carried.

FINANCE COMMITTEE REPORT:

Treasurer Nichols reported the financial statements for September 2019 were posted to the Board website for review. Treasurer Nichols moved, seconded by Mr. Clayton, for acceptance of the September 2019 financial statements and payment of the October 2019 bills. Motion unanimously carried.

CONSENT ITEMS:

None

PRESENTATIONS:

President Long called the Enterprise meeting to order at 9:43 a.m. to be held in conjunction with the District for the Proposed 2020 Project Water and Storage Rate Hearing.

Leann Noga introduced Dennis Jackson, JACOBS who managed the project of the rate study.

Dennis Jackson presented a PowerPoint titled, *Financial Strategy and Sustainability Study*, reviewing the following:

- Overview of Draft Study Report
- Introduction and Background
- Financial Plan
- Cost of Service
- Water Rate Design and Analysis
- Benchmarking Analysis
- Recommendations
- Rate Hearing
- Questions

The Board members were given the opportunity to ask questions, and Mr. Jackson or staff provided an answer to each.

The public was given the opportunity to ask questions. Mr. Hanzas from Catlin Canal had questions regarding if storage, surcharges, and Winter water were considered in the study. Mr. Jackson responded to each of the questions along with Lee Miller's explanation of the If & When storage contracts.

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The Public Hearing was adjourned at 10:54 a.m.

FEDERAL LEGISLATION UPDATE

Christine Arbogast reported we are back to the familiar appropriations scenario; Congress has not passed any appropriations bills and so government is operating on a continuing resolution until November 21, 2019. Senate Chairman Richard Shelby seems determined to move bills but with all that is going on in DC it is hard to predict.

A year-long Continuing Resolution would be unfortunate, given the very generous plus up for Reclamation which could do a lot of good things.

Also important is the Senate plus up language, which says the additional funding will be used for projects not funded or underfunded in the Administration's budget.

All seven of our House members sent a letter to appropriations asking for House concurrence with that Senate language.

In addition, both Senators and Congressmen Tipton and Buck sent a letter to Secretary Bernhardt seeking plus up money and money in-the Administration's FY 21 budget due out in February.

We are working with Colorado Water Conservation Board and legislators regarding a funding package.

Our delegation continues its support.

ACTION ITEMS:

The Enterprise meeting was called to order in conjunction with the District meeting to take action on the Recovery of Storage and Financial Policies at 11:04 a.m.

RECOVERY OF STORAGE

Chris Woodka reported the Board asked staff to prepare a report on storage needs at its September 19, 2019 meeting. A report was prepared and presented to the Resource and Engineering Planning Committee (REPC) and Allocation Committee on October 3, 2019.

Loss of storage in Pueblo Reservoir due to sedimentation totaled 20,000 acre-feet from 1974-2012. This directly impacts the overall storage capacity available for Project and non-Project water.

An analysis by District staff shows that recovery of storage is the most immediate future storage need that has developed since the Water Needs Assessment was developed in 1998. The preliminary analysis shows that water usage has not increased as quickly as projected by that study, and that storage patterns have changed in the intervening years. Municipalities have kept more water in storage, and reduced demand through conservation programs, rates, or customer awareness.

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Part of the District's strategy following the Water Needs Assessment in 1998 was for "reoperations," which has been realized through additional long-term excess-capacity contracts over the last 20 years. These contracts now include the potential for 100,000 acre-feet of storage over a 40-year period that are affected by any reduction in storage space. Water management on the Arkansas River has required frequent meetings to coordinate exchanges or releases in recent years during times of high levels in the reservoirs.

Both the REPC and Allocation committees agreed the trend to keep more water in storage underscores the need to provide the full amount of storage intended for the Project. Additionally, the rate of sedimentation in the future could accelerate because of increasingly large wildland fires that degrade watersheds.

Recovery of Storage was listed as an item that would be undertaken within the 10- to 20-year timeframe under a proposed Capital Improvement Plan included in the recent Financial Strategy and Sustainability Study. Both committees agreed that because of the time needed for storage construction projects work should begin sooner to identify needs and methods of recovering storage. The Board was provided the publication, Storage Needs in the Arkansas River Basin.

Mr. Hamel moved, seconded by Mr. May, the Board of Directors authorize staff to begin a study to recommend the best methods to recover Fryingpan-Arkansas Project storage that has been lost to sedimentation. Motion unanimously carried.

Mr. Broderick clarified that \$20,000 has been placed in the District's Proposed 2020 Budget to begin the process.

FINANCIAL POLICIES

The Board reviewed the draft policies at its September 19, 2019, and October 9, 2019 meetings.

Mr. Woodka reported as part of the 2019 Financial Strategy and Sustainability Study, JACOBS recommended adopting four financial policies:

- Capital Planning Policy
- Debt Management Policy
- Rate Setting Policy
- Unrestricted Reserves Policy

During Board discussions on September 19, 2019, it was recommended that all four policies be streamlined to reflect the purpose of the policies. The detailed information that was included in the recommendations was recomposed into a set of "Practices" that accompanies each of the policies. The Practices will serve as administrative guidelines, and not as Board policies.

The Board reviewed staff changes to the Policies and Practices at its October 9, 2019 meeting, and made further changes to the Unrestricted Reserves Policy. Specifically, the Reserve Targets were deferred and

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marked “To be determined” in each case. The Board requested further discussion on the appropriate fund levels of targets.

No further comments were given at the meeting, although Board members were given the opportunity to make further comments.

The Board was provided revised policies, which were presented in final form, subject to the Board’s approval.

Mr. Goodwin moved, seconded by Mr. Hamel, that the Board adopt Financial Policies for Capital Planning, Debt Management, Rate Setting and Unrestricted Reserves. Mr. Pifher made a motion, seconded by Mr. Colosimo, to add a sentence to the motion to read “The Board has the discretion to transfer funds between reserve categories as necessary.” Mr. Goodwin and Mr. Hamel agreed to the addition to the motion. Motion unanimously carried.

INFORMATION ITEMS:

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

- AVC and Excess Capacity Update
- James W. Broderick Hydropower Plant 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 11:25 a.m.

Respectfully submitted,

Toni Gonzales
Administrative Manager

Secretary

