2020 Business Plan

Southeastern Colorado Water Conservancy District

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Introduction

1958

The Southeastern Colorado Water Conservancy District was formed for the primary purpose of forming and operating the Fryingpan-Arkansas Project.

1962

The Project was approved by Congress to deliver water from the Fryingpan River to the Arkansas River basin, create storage and make water available to farms and cities in the Arkansas River basin.

1981

Repayment Contract for Project signed with the Bureau of Reclamation.

1995

The District formed an Enterprise Activity. The Enterprise is the business arm of the District.

2017

The District developed its first Business Plan to guide activities of the District over a three-year period.

Blueprint for success

The 2020 Business Plan has been reorganized to more closely align with the 2020 Strategic Plan for the Southeastern Colorado Water Conservancy District.

The Business Plan is designed to reflect the work of the District and Enterprise for a three-year period. This year's plan also incorporates 10-year and 20-year outlooks developed in the Financial Strategy and Sustainability Study. More detail is available in the Capital Improvement Plan.

The Business Plan conforms to the Vision, Mission, and Core Values of the District, recognizing the importance of funding and staffing in terms of accomplishing those goals.

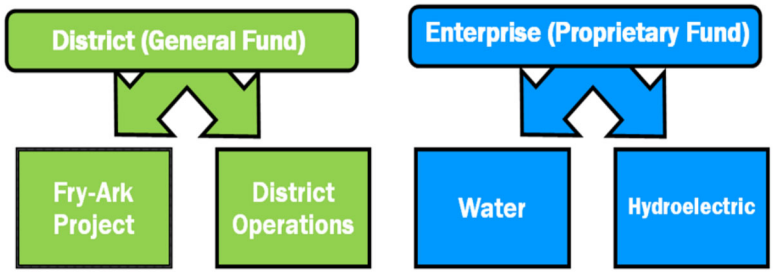
The 2020 Business Plan should be viewed in connection with the 2020 Adopted Budget and the 2019 Financial Report, and identifies the expectations of spending. This document does not obligate the expenditure of money.

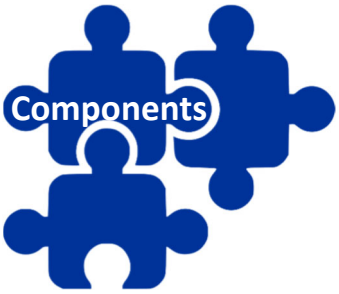
Staff reviews the Business Plan annually to assess progress and adjust goals.

Funds

The District (General) Fund is the governmental arm of the District.

The Enterprise (Proprietary) Fund is the business arm of the District.





Component Classes

District and Enterprise programs and projects are broken into components with a brief description, progress report, Strategic Plan alignment, funding impact, and a reference to more complete writeups within the report.

Strategic Plan

The 2020 Business Plan is a 3-year outlook of District and Enterprise priorities. While it is organized along topical lines, the chart in the upper left corner of each page indicates how the topic aligns with the Strategic Plan. The Strategic Plan was adopted by the Board in 2017 and identifies long-term District goals, objectives and strategies.

Contents

Note: Some topics appear in multiple component classes.

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Components

Fry-Ark Operations

The District works in partnership with the Bureau of Reclamation to operate the Fryingpan-Arkansas Project, sharing costs for construction, OM&R and betterments. District investigations will help identify future funding needs.

Program	Description	Progress	Strategic Plan Interface	Financial Impact	Reference
Project Debt Repayment	Amendment 11 to the Repayment Contract structured annual payments for remaining Project debt.	Reclamation, District developing basis of negotiation for Contract conversion.	Water supply, storage & power	$1,467,572 annually	Page 14
Fry-Ark Project Reserves	Amendment 11 allowed the District to build Project Reserves to meet extraordinary or unforeseen needs.	Operational	Water supply, storage & power	Subject to Reclamation reconciliation	Page 15
Fry-Ark Project OM&R	The District pays a percentage of operation, maintenance and replacement for the Fry-Ark Project.	Operational	Water supply, storage & power	$8,774,109 in 2020	Page 16
Asset Valuation	The District is undertaking studies to determine the value of Fry-Ark Project features for future estimation of costs.	2019-2020	Water supply, storage & power	$40,000	Page 17
Condition Assessment	The Condition Assessment will look at the timing of needed work for the Fry-Ark Project.	2020-2021	Water supply, storage & power	$80,000	Page 17
Additional Snow Surveys	The development of Natural Resources Conservation Service sites , or similar snow measurement techniques, could improve annual forecasts.	2020-2022	Water supply protection & water efficiency	$60,000	Page 18
Interconnect at Pueblo Dam	The Interconnection at Pueblo Dam would provide redundancy for municipal water delivery and more efficient operation of the North and South Outlets.	EIS completed in 2013	Future water supplies & storage	—	Page 19

Components

Fry-Ark Administration

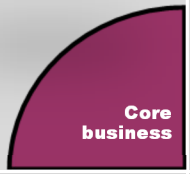
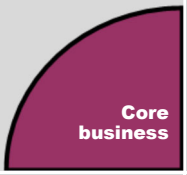
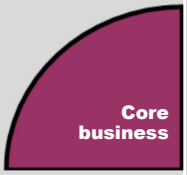
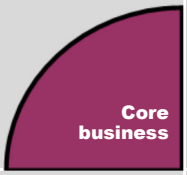
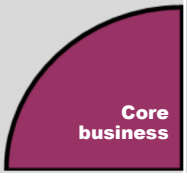
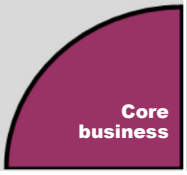
The District has numerous programs which support and enhance the Fryingpan-Arkansas Project. It is crucial to protect the legal rights to water and to provide staff the tools to properly administer the District.

Program	Description	Progress	Strategic Plan interface	Financial Impact	Reference
Reclamation Reform Act	The 1982 Reclamation Reform Act limits delivery of Project water to irrigators based on acreage.	Operational	Water supply protection & water efficiency	$22,000	Page 20
Transit Loss Modeling	Fountain Creek Transit Loss model tracks municipal Return Flows. Upper Ark and Lower Ark models developed.	Operational	Water supply protection & water efficiency	$23,000	Page 21
Boundaries & Inclusion	Inclusion manual completed in 2018; boundary mapping initiated in 2019.	Operational	Water supply protection & water efficiency	$20,000	Page 22
Water Rights Protection	Legal and engineering costs associated with conditional water rights and defense of water rights in Divisions 2 & 5.	Operational	Water supply protection & water efficiency	$230,000	Page 23
Colorado River Programs	Support programs for endangered species , drought contingency planning, and cooperative environmental needs.	Operational	Water supply protection & water efficiency	$61,380	Page 24
Water Conservation Plan	Conservation plan required under Fry-Ark Contract every five years. Last plan completed in 2017.	Operational	Water supply protection & water efficiency	—	Page 25
Water Quality Monitoring	Cooperative programs with the U.S. Geological Survey to support Arkansas River Basin water rights.	Operational	Water supply protection & water efficiency	$197,103	Page 26

Components

District Operations

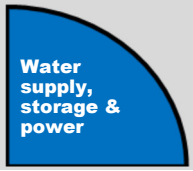
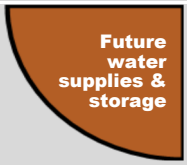
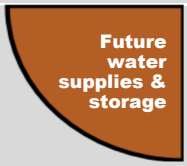
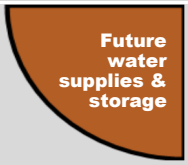
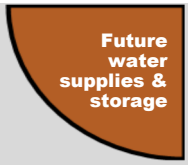
District operations support the Fryingpan-Arkansas Project, District activities and Enterprise activities. People, buildings, vehicles, and technology are included in this category

Program	Description	Progress	Strategic Plan interface	Financial Impact	Reference
Financial Studies	Financial Strategy and Sustainability Study developed a financial plan, capital improvement plan, cost of service and rate design.	Completed in 2019, with amendment to study surcharges. Model developed. New study in 2022.		$100,000	Page 27
Headquarters	The Building and Grounds at 31717 United Avenue in Pueblo, Colorado.	Operational		$306,816	Page 28
Fleet Management	The District maintains 3 vehicles, which are purchased on a 6-year rotation.	Operational		—	Page 29
Information Technology	Computers, printers, and communication equipment are upgraded in order to keep pace with technology.	Ongoing		—	Page 30
Records Management	The District is in the process of converting its record to electronic form to improve accessibility .	In study phase		$50,000	Page 31
Human Resources	Workforce succession planning, surveys for salaries and benefits, and employee skill sets are all considered.	Operational		$1,710,556	Page 32
Communication & Outreach Plan	Strategies are developed for conveying information about the District within and outside the organization.	Ongoing		$22,617	Page 33

Components

Enterprise Programs

The Water Activity Enterprise is the business arm of the District. The completion of the James W. Broderick Hydropower Plant in 2019, the administration of the Excess Capacity Master Contract, the Arkansas Valley Conduit, and Recovery of Storage are major programs.

Program	Description	Progress	Strategic Plan interface	Financial Impact	Reference
Hydroelectric Power	The James W. Broderick Hydropower Plant was completed in May 2019 at Pueblo Dam under a Lease of Power Privilege with Reclamation.	Operational		$1,453,867	Page 34
Excess Capacity Master Contract	The contract allows 37 entities within the District to store non-Project water in Pueblo Reservoir for 40 years. It was completed in 2016.	Operational		$277,662	Page 35
Arkansas Valley Conduit	The AVC will provide filtered drinking water to 40 communities serving 50,000 people east of Pueblo.	In planning stage		$344,609	Page 37
New Water Sources	The Enterprise has the ability to purchase new water rights, as has been suggested by past boards.	Proposed, no board action so far		—	Page 38
Storage Programs	A portfolio of several types of storage that will benefit the District in the future.	In study stage		$1,420,000	Page 10 (35-36) (39-45)
Water Sales and Storage Charges	Various charges assessed for the sale of water and storage.	Operational		$1,302,702	Page 11 (46-49)

Components

Storage programs

Storage is essential to the operation of the Fryingpan-Arkansas Project, and beneficial to all stakeholders of the Southeastern District. Reservoirs created by storage provide recreation opportunities, while creating aquatic habitat.

Program	Description	Progress	Strategic Plan Interface	Financial Impact	Reference
Recovery of Storage	Pueblo Reservoir has lost 20,000 af of storage. Goal is to recover Fry-Ark Project space.	Board voted in October 2019 for study of methods to recover storage.	Water supply, storage & power	$200,000	Page 39
Excess Capacity Storage	SECWCD Excess Capacity Master Contract	16 of 37 subcontracts executed	Future water supplies & storage	$277,382	Page 35
	Other long-term contracts	Pueblo Water, SDS and Aurora contracts in place		$3.2 Million	Page 36
Expansion of Storage	Need for additional Project and non-Project storage was identified in 1998 Water Needs Assessment Study.	Larger cities have moved ahead with some plans to increase storage.	Future water supplies & storage	$85,000	Page 40
Lower Basin	Restoration of Yield	Entering construction or purchase phase	Future water supplies & storage	$1,050,000	Page 41
	John Martin Reservoir	Study phase		—	Page 42
Upper Basin	Upper Arkansas Water Conservancy District developing Multiuse Project with potential for partnerships.	Pilot program complete, development in progress	Future water supplies & storage	$25,000	Page 43
Winter Water	This is a Project feature that allows annual storage of non-Project water in Project and non-Project facilities.	Operational	Water supply, storage & power	$117,600)	Page 44
Safety of Dams	This Reclamation program protects Project assets with District cost-share.	Operational	Water supply, storage & power	$60,000	Page 45

Components

Water Sales and Storage

Water and storage sales provide revenue for the Enterprise, which is the business arm of the District. The 2019 Financial Strategy and Sustainability Study offered a new way of looking at the Enterprise water rate structure.

Program	Description	Progress	Strategic Plan interface	Financial Impact	Reference
Project Water Municipal & Industrial Sales	Fry-Ark imports: 54.59% are available for municipal allocation and sales.	New rates set by Board for 2020.	Water supply, storage & power	$315,829	Page 46
Project Water Irrigation Sales	Fry-Ark imports: 45.41% are available for irrigation. Irrigation may purchase unused M&I water at M&I rate.	New rates set by Board for 2020	Water supply, storage & power	$262,718	Page 46
Project Water Carryover Storage	Storage of water in municipal accounts after the first year of storage. Board is discussing appropriate charges.	Pending Board action.	Water supply, storage & power	—	Page 47
Return Flows	Sale of agricultural and municipal Return Flows, primarily for augmentation purposes.	New rates set by Board for 2020	Water supply protection & water efficiency	$128,950	Page 48
First Right of Refusal (Purchase of Irrigation Return Flows)	Fort Lyon Canal Pilot Program completed in 2018. Application to other ditch systems began in 2019.	Operational	Water supply protection & water efficiency	—	Page 48
Winter Water	Non-Project water stored from November 15-March 15 annually. District collects contract and storage fees.	Operational	Water supply, storage & power	$117,600	Page 44
Surcharges	The Board voted in October 2019 to review impact of removing surcharges in 2021 and beyond.	Under Review as part of 2019 Financial Strategy and Sustainability Study.	Water supply, storage & power	$594,605	Page 49

Components

Partnerships

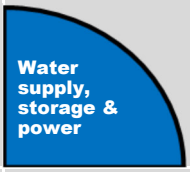
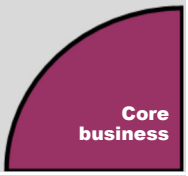
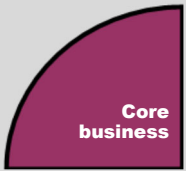
The District partners with other agencies to provide needed water services for its stakeholders. Partnerships are a valuable to collaboratively work with others in the Arkansas River basin to achieve common goals.

Program	Description	Progress	Strategic Plan interface	Financial Impact	Reference
Fountain Creek Transit Loss Model	The District works with 16 other participants to track Return Flows on Fountain Creek, accounting for losses.	Operational	**Water supply protection & water efficiency**	$23,000	Page 21
Water Quality Monitoring	The District sponsors two USGS monitoring programs on the Arkansas River and its tributaries, benefit all water users.	Operational	**Water supply protection & water efficiency**	$197,013	Page 26
Regional Resource Planning Group	The RRPG was formed in 2003 to collaboratively address basin-wide water quality issues.	The group meets annually to determine scope of work	**Water supply protection & water efficiency**	$135,000	Page 50
Arkansas River Basin Water Forum	The District participates in this annual event that brings diverse water interests together.	Ongoing planning at the staff level.	**Water supply protection & water efficiency**	$2,500	Page 51
Arkansas Basin Roundtable	District is involved with activities of the Roundtable, which coordinates water planning at the state level.	Ongoing participation.	**Water supply protection & water efficiency**	—	Page 51
Voluntary Flow Management Program	The District helps coordinate releases to benefit boating and protect flows for fish on the Arkansas River.	Ongoing	**Water supply protection & water efficiency**	—	Page 52
Watershed Health	Concern is growing that catastrophic events such as wildfires threaten water supplies by increasing erosion risk.	District monitors progress, contributes through Reclamation OM&R	**Water supply protection & water efficiency**	$10,000	Page 53

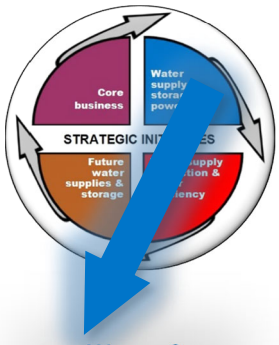
Components

Reserves

The Board created strategic fund reserve categories in October 2019 as a result of recommendations from the Financial Strategy and Sustainability Study. In addition, Amendment 11 to the Fry-Ark Contract in 2018 created reserves for Project OM&R.

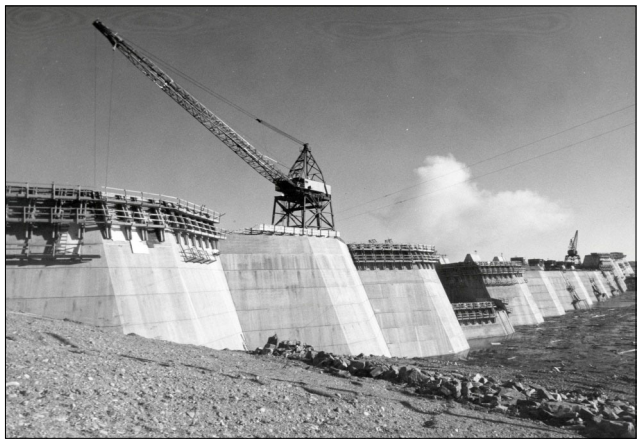
Program	Description	Progress	Strategic Plan interface	Financial Impact	Reference
Fry-Ark Reserves	Established under Amendment 11 to the Fry-Ark Contract. Reclamation approval required for expenditures.	Operational		Subject to Reclamation reconciliation	Page 15
Cash Reserve	Working cash sufficient to fund cash-flow variations in a typical operating cycle.	Operational		Target pending Board action.	Page 54
Operating Reserve	Covers potential interruption of District or Enterprise revenue streams.	Operational		Target pending Board action.	Page 54
Capital Reserve	Funds capital repair, replacement or betterment of District properties or other capital projects.	Operational		Target pending Board action.	Page 54
Exposure Reserve	Covers extraordinary, unforeseen events not otherwise covered by reserves or insurance.	Operational		Target pending Board action.	Page 54
District Fund Balances	Fund Balances that are non-spendable, restricted, committed, assigned, unassigned or unrestricted.	Operational			Page 55
Enterprise Fund Balances	Fund Balances that are unrestricted.	Operational			Page 55

Fryingpan-Arkansas Project: Debt Repayment



Water Supply , storage and Power

In 2018, the District and Reclamation signed Amendment 11 to the Fryingpan-Arkansas Project Contract. The debt for the Project will be paid off in 2031, the full 50 years accounted for in the 1982 Contract. The Contract will be converted to a true repayment contract by the end of 2021. The District intends to continue paying off the debt in the schedule agreed to under Amendment 11.



Spreading out Payments Allows for Fry-Ark Reserve

Description: The Fryingpan-Arkansas Project was substantially complete in 1981, and the Bureau of Reclamation (Reclamation) prepared a final cost allocation. The District's share was $134.7 million of the total $585 million cost (23 percent). Payments began under the 1982 Fryingpan-Arkansas Project Contract (Contract).

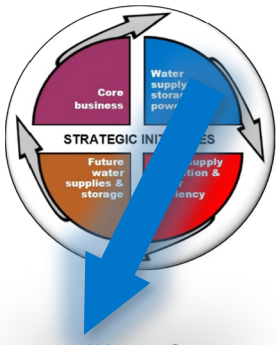
Purpose and Need: Prior to Amendment 11 to the Contract, Reclamation calculated total payments made by the District each year, after including debt, and operations, maintenance, and replacement (OM&R). Amendment 11 set a firm schedule for repayment.

Operating Impact: The Finance Department makes payments to Reclamation twice a year. The District also is able to set up a reserve fund for Project costs, and has prepaid a portion of OM&R.

Reimbursable Construction Costs	Debt
SECWCD Municipal & Industrial	$58,761,000
SECWCD Agricultural	$76,028,000
Fountain Valley Conduit	$64,869,000
Electrical power generation	$147,509,000

Fry-Ark Debt Repayment	2019	2020	2021	2022
Payments continue until 2031	$1,467,572	$1,467,572	$1,467,572	$1,467,572

Fryingpan-Arkansas Project Fund Reserve



Water Supply , storage and Power

Amendment 11 to the Fryingpan-Arkansas Project Contract allows the District to establish a reserve fund for extraordinary or catastrophic expenses.

The Amendment requires the District to repay a set amount for construction and annual OM&R charges from property tax collections. The remainder of the revenues collected is to be set aside in a reserve fund.

Restoration of the expansion joints between the buttresses on Pueblo Dam began in 2019. The project could cost $32 million, of which the District would pay $19 million. Reserve funds allow the District to cover its costs. (Bureau of Reclamation photo)

Holding Funds in Reserve for Extraordinary Needs

Description: The District sets aside ad valorem tax collections in excess of annual Fryingpan-Arkansas Project (Project) debt, and operations, maintenance, and replacement (OM&R) in a reserve account. The funds are invested, and the District can use the interest. Reclamation and District mutual approval are required to spend reserves.

Purpose and Need: The fund reserve allows the District to pay for large expenses for the Project without the need to look for other sources of funding.

Operating Impact: The Finance Department manages the investments and interest on the accounts. Reclamation reconciles payments.

Estimated Reserves	2019	2020	2021	2022
Subject to Reclamation reconciliation	—	—	—	—

Fryingpan-Arkansas Project OM&R

Water Supply , Storage and Power

The District is responsible for a portion of all costs, betterment and replacements to maintain the Fryingpan-Arkansas Project. The District's share varies by Project feature, Ranging from 47-56 percent.

Inspection work in 2019 on the top of Pueblo Dam. (Bureau of Reclamation photo)

Protecting the District's Fry-Ark Investment

Description: The District pays for a percentage of the operation, maintenance, and replacement (OM&R) for the Fry-Ark Project (Project), including extraordinary maintenance such as the current expansion joint work on Pueblo Dam, a potential $32 million cost.

Purpose and Need: Ad valorem taxes cover the cost of all Project OM&R, but the District cannot raise the level of taxes without a vote throughout parts of nine counties. Amendment 11 to the Contract gives the District flexibility to save and pay for these costs.

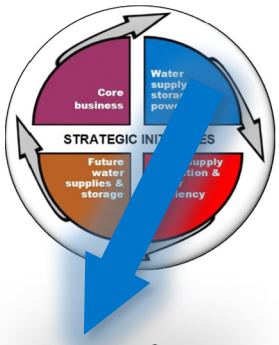
Operating Impact: The Finance Department invests reserve funds, providing interest for the District's use. Spending the reserve requires District and Reclamation consent.

Project cost per feature

Ruedi East Slope	54.17%	Mount Elbert Conduit	52.00%
North Side Collection	54.17%	Twin Lakes	47.67%
South Side Collection	47.67%	Halfmoon Diversion	54.17%
Boustead Tunnel	51.46%	Pueblo Reservoir	55.79%
Sugarloaf (Turquoise)	52.54%		

Fryingpan-Arkansas Project OM&R	2019	2020	2021	2022
Capital costs	$8,000,083	$8,774,109	$5,944,398	$1,980,679

Asset Valuation, Condition Assessment



Strategic Initiatives

The District now has the opportunity to create a reserve fund for extraordinary or catastrophic costs. To better estimate and prepare, the District will complete an asset valuation and condition assessment of Fryingpan-Arkansas Project features.

Checking on the Health of the Fry-Ark Project

Description: The District will seek independent asset valuation and condition assessment of Fryingpan-Arkansas Project features to better understand the financial implications of future costs.

Purpose and Need: As the Project ages, extraordinary or catastrophic costs are more likely to occur.

Operating Impact: Coordinated communication between the Engineering and Finance Departments, in coordination with the Bureau of Reclamation.

Fryingpan-Arkansas Project Features

Reservoirs	Capacity	Conduits, Tunnels	Length
Ruedi Reservoir	102,369 AF	Southside Collection	14.2 miles
Turquoise Lake	129,432 AF	Northside Collection	11.3 miles
Mount Elbert Forebay	11,530 AF	Boustead Tunnel	5.4 miles
Twin Lakes	140,339 AF	Mount Elbert Conduit	10.5 miles
Pueblo Reservoir	338,374 AF	Fountain Valley Conduit	45.5 miles

Other Features
Mount Elbert Power Plant, 200 megawatts
Pueblo Fish Hatchery
South Outlet Pueblo Dam
North Outlet Pueblo Dam

Infrastructure Evaluation	2019	2020	2021	2022
Asset Valuation, Condition Assessment	—	$120,000	$70,000	$50,000

Hydrologic Variability

Future Water Supplies and Storage

Water years 2018 and 2019 illustrate the need for better predictive tools. In 2018, a dry year, Fryingpan-Arkansas Project imports came in at two-thirds of predicted amounts. In 2019, a very wet year, imports exceeded the forecasts in a big way. Better tools are needed to make timely adjustments to snowfall models.


Palladium Aspen

It's Time to Polish Up a Cloudy Crystal Ball

Description: The District uses May 1 forecasts by the Bureau of Reclamation in its annual allocations. Predictions are now based on limited data from snow measurement sites that are below the elevation of most of the Fry-Ark collection system.

Purpose and Need: At least two stations are needed at higher elevations in the Fryingpan-Hunter watershed.

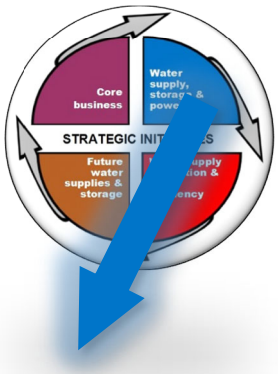
Operating Impact: The Engineering Department works with the Bureau of Reclamation on forecasts and accounting of Project water. This would provide more data to that process.

Environmental Impact: Additional water contributes to flows in the Arkansas River and the District mitigates West Slope impacts through its Environmental Stewardship fund.

Social Impact: Project water adds to the economic vitality of rural, urban and recreational regions in the Arkansas River basin.

Water Sales Revenue	2019	2020	2021	2022
Based on 20-year average	—	$60,000	$70,000	$70,000

Pueblo Dam Interconnect



Water Supply , Storage and Power

The interconnection and Pueblo Dam will connect the North and South Outlets to increase the reliability of municipal water supplies in the event of shutdowns for either maintenance or emergencies. Since the 2014 Record of Decision, it has become apparent that the Interconnect could improve water quality by allowing municipal water providers more variety in elevation from which water is drawn. The 2016 cost estimate is $16.5 million.

North Outlet Works Pueblo Dam/SECWCD

Integrating Water Deliveries at Pueblo Dam

Description: Construction of the Project would include additional vaults and an 84-inch underground pipeline between the North and South Outlets. The North Outlet serves Southern Delivery System. The South Outlet serves the Fountain Valley Authority, Pueblo, and Pueblo West.

Purpose and Need: To provide conveyance of water during shutdowns for emergencies or maintenance.

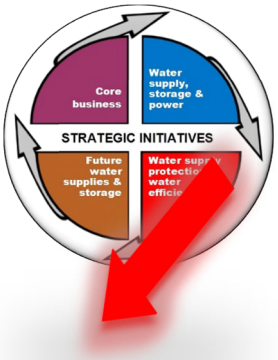
Operating Impact: Contractual negotiations between Reclamation and the District are needed in order to build the Interconnect. Funding could be District or Enterprise.

Environmental Impact: Provides protection from aquatic nuisance species.

Social Impact: Improves and secures municipal water delivery.

Pueblo Dam Interconnect	2019	2020	2021	2022
Funding not anticipated	—	—	—	--

Reclamation Reform Act



Water Supply Protection and Water Efficiency

Large federal irrigation projects, such as the Fryingpan-Arkansas Project, are meant to help smaller landowners. A provision of the Reclamation Reform Act requires certification of land holdings throughout the West to avoid subsidies to large agricultural ventures.

Interior Secretary James Watt watches President Ronald Reagan sign RRA in 1982.

Maintaining the Family Farm; Avoiding Speculation

Description: The Reclamation Reform Act (RRA) was signed in 1982 to encourage family farming and limit speculation on land. Water users are required to certify their landholdings by filing RRA forms prior to receiving Project water. RRA compliance is a condition of the Fryingpan-Arkansas Project Contract.

Purpose and Need: The amount in the budget covers unexpected expenses related to RRA. In 2020, an audit is planned that will require additional payment of $20,000. (see below)

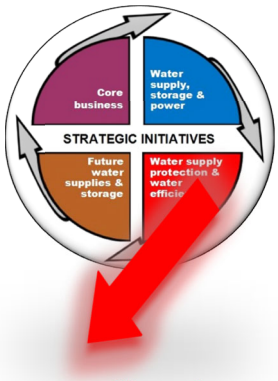
Operating Impact: The Engineering Department requires forms from all recipients of Project water on an annual basis. This includes all irrigators within canal companies.

Environmental Impact: Preservation of agriculture in the Arkansas River basin maintains environmental niches created by irrigation processes.

Social Impact: Small farms are the backbone of rural culture in much of Southeastern Colorado.

Reclamation Reform Act	2019	2020	2021	2022
Covers District Expenses	—	$22,000	$2,000	$2,000

Fountain Creek Transit Loss Modeling



Water Supply Protection and Water Efficiency

Getting water from Point A to Point B in any river involves a calculation that incorporates factors such as the rate of flow, bank seepage, evapotranspiration rates, contributed flow from tributaries, and diversions. In many cases, models are the most efficient way to measure transit loss. Models exist for the Upper Arkansas River and Lower Arkansas River. The most active transit loss model is for the largest tributary of the Arkansas River, Fountain Creek.


Fountain Creek/Pueblo Chieftain

Tracking a Muddy River

The Fountain Creek Transit Loss Model was developed in 2007 by the U.S. Geological Survey to track flows along 78 miles of waterways. The Southeastern District joined in order to better measure municipal Return Flows.

The model breaks 78 miles of river into 33 reaches, and calculates the amount of losses at varying flows. It is necessary to measure the losses in order to assure water rights are not injured by the many diversions along Fountain Creek and Monument Creek.

The District is one of 17 participants in the program, and pays an annual membership, plus an additional fee based on its share of Return Flows that are not claimed during the year.

The additional fee is assessed in the year following the measurement.

Fountain Creek Transit Loss Participants

- Monument
- Woodmoor
- Triview
- Donala
- Forest Lakes
- Palmer Lake
- Fountain Mutual Irrigation Co.
- Colorado Springs Utilities
- Fountain
- Widefield
- Security
- Stratmoor Hills
- Chilcotte Ditch
- AGUA
- Cherokee Metro
- Colorado Centre
- Southeastern District

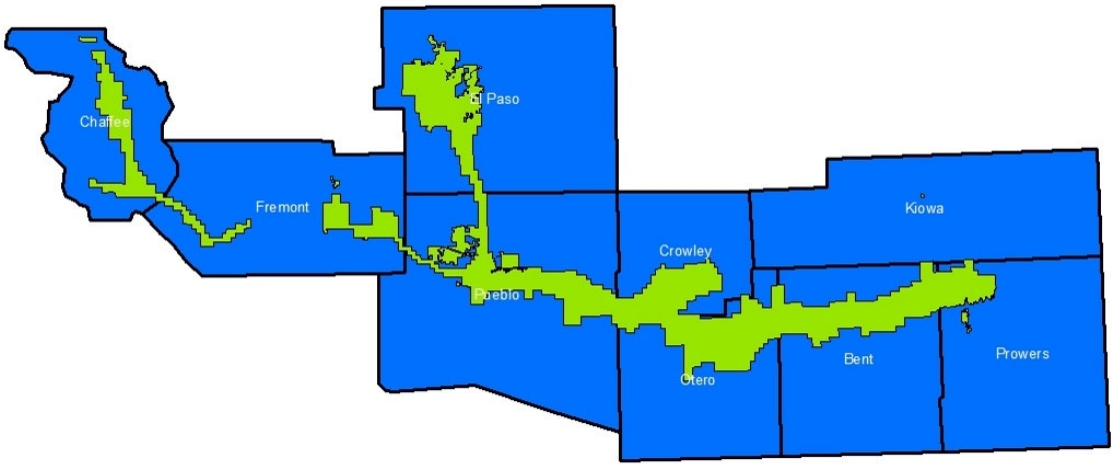
Water Sales Revenue	2019	2020	2021	2022
Base fee, plus $20,000 for Project Return Flows	$3,000	$23,000	$23,000	$23,000

Boundaries and Inclusion

Water Supply Protection and Water Efficiency

A project as part of the Legal Engineering program began in 2019 to determine District boundaries. This is important in order to maintain revenues that support the Fryingpan-Arkansas Project.

An Inclusion Manual was approved by the District Board in 2018. It includes policies for inclusion into the District by annexation, petition and election.



District Strives to Stay Inside the Lines

Description: An effort to precisely define District lines was undertaken in 2019 with the assistance of Wilson Water Engineering. District boundaries, as described in the 1958 degree and subsequent inclusions, occasionally differ from modern GIS files. The boundaries are being "trued up" to avoid discrepancies.

Purpose and Need: Precise boundaries allow for more efficient administration of tax collection, as well as determining eligibility for Project water.

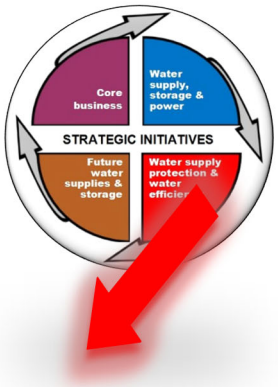
Operating Impact: The Engineering Department will use GIS files and other information to monitor boundary changes in the future, and coordinate with county assessors in keeping boundaries current.

Environmental Impact: Protects Project water delivery to eligible lands.

Social Impact: Provides clear delineation for tax collections in order to assure fairness.

Boundary Study	2019	2020	2021	2022
Included in Legal Engineering budget	$32,333	$20,000	$20,000	$20,000

Water Rights Protection



Water Supply Protection and Water Efficiency

Water rights in Colorado are defined in the state Constitution, and administered under what is called the "Colorado Doctrine," or first in time, first in right. Water put to beneficial use is prioritized according to when the first use was claimed. The District has water rights in Divisions 2 and 5.

Water Rights a Cornerstone of Fry-Ark Project

In Colorado, water rights are claims that protect the priority of water use according to the first historical application of the water to a beneficial use. The water rights to the Fryingpan-Arkansas District in both the Colorado River and Arkansas River watersheds are held by the District.

The District files for diligence of conditional water rights every six years. The next filings will be in 2022 in Division 2 and 2024 in Division 5.

The District also monitors other water rights filings to protect Project water.

In 2017, the District adopted "Standard Language" that streamlines the legal process by openly providing conditions for approval to opposing attorneys on routine legal matters.

The Engineering Department and Legal Department monitor water court cases to determine whether new filings will have an impact on Project water.

Fryingpan-Arkansas Project Key Water Rights

Division 2

Storage Rights: Turquoise Lake, Twin Lakes Reservoir, Mount Elbert Forebay, Pueblo Reservoir, 575,036 acre-feet absolute.

Other Structures: Mount Elbert Conduit, Halfmoon Diversion, 520 cfs.

Conditional Diversions: Six, 350-725 cfs.

Exchange Rights: Project water into Pueblo Reservoir, Twin Lakes Reservoir, and Turquoise Reservoir. Arkansas River exchanges.

Priority Date: February 10, 1939

Division 5

Fryingpan-Arkansas Divide Tunnel (aka Boustead Tunnel, including all tunnels from North Side and South Side Collection Systems: 900 cfs unless Ruedi will fill, then 945 cfs.

(Stipulation generally precludes enlargement claims)

Priority Date: July 29, 1957

Water Rights Protection	2019	2020	2021	2022
Included in Legal Engineering budget	$35,595	$230,000	$230,000	$230,000

Colorado River Programs

Water Supply Protection and Water Efficiency

Programs in the Colorado River basin support Fryingpan-Arkansas Project water rights owned by the District. These programs are operated through partnerships with the Bureau of Reclamation, Colorado Water Conservation Board, Front Range Water Council, Colorado River Water Users Association and Colorado Water Congress. They include fish recovery, drought contingency planning, weather modification , and communication.


Fishing below Ruedi Dam/Ann Stonehouse

Hooking Up With Our Source of Water Supply

Description: Water for the Fryingpan-Arkansas Project is imported from Hunter Creek and the Fryingpan River in the Upper Colorado River basin. The Project is designed to import an average of 69,200 acre-feet annually.

Purpose and Need: In order to import water, environmental flow targets must be met and legal conditions satisfied.

Operating Impact: The District uses legal engineering, political networking and communications strategies to maintain Colorado River relationships.

Environmental Impact: The Colorado River is an important natural system that touches seven states. Cooperative solutions among all states are needed to prevent environmental degradation.

Social Impact: About 40 million people are served by the Colorado River through municipal water, irrigation or power generation.

Colorado River Programs	2019	2020	2021	2022
Budgeted expenditures	$32,432	$61,380	$62,736	63,991

Water Conservation Plan

Water Supply Protection and Water Efficiency

The Water Conservation plan is completed every five years, as required under the Repayment Contract with the Bureau of Reclamation. The Colorado Water Conservation Board requires a Conservation plan every seven years as well.

The District completed its last Conservation Plan in 2017 The plan may be viewed in its entirety

District Remains Steward of a Precious Resource

The Fryingpan-Arkansas Project Principles were adopted in 1961, prior to construction of the Project itself. They spell out the District's obligations to Colorado and the United States in managing the water rights of the Project.

Since the construction of the Project, state and national environmental laws have changed as well.

The District produced its first Conservation Plan in 2005, detailing the history of the Project and the many activities the District is engaged in to support the Project. The Conservation Plan became a valuable resource key to understanding the role of the District, the operation of the Project, and the partnerships that are important to the Operation of the District. Included in each plan is a summary of municipal and agriculture conservation efforts of individual entities.

The 2017 Conservation Plan was a step forward, in that it not only updated past Conservation Plans, but took a fresh approach to make the plan more readable and user-friendly.

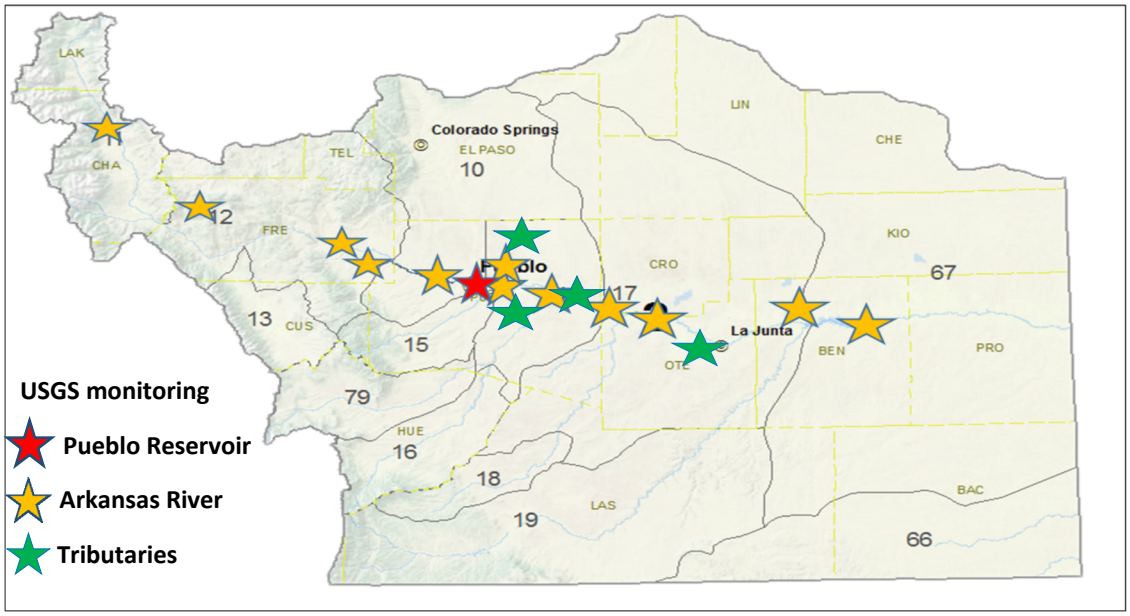
The printed summary of the plan is 32 pages, but hundreds of pages of supporting documents are included in the appendices in DVD format.

Water Conservation Plan	2019	2020	2021	2022
Next due in 2022	—	—	—	$5,000

Partnerships: Water Quality Monitoring

Water Supply Protection and Water Efficiency

The Enterprise is a cooperating agency with the U.S. Geological Survey in the maintenance of stream gauges at key points in the Arkansas River basin. The Enterprise pays about 70 percent of the total costs, while Special Projects (Master Contract, AVC and Enlargement) participants pay about 80 percent of the Enterprise costs.



Partnering to Protect a Shared Resource

Description: The U.S. Geological Survey (USGS) monitors long-term water quality, collects continuous specific-conductance data, measures baseline changes, collects streamflow data, measures suspended sediment, and tracks reservoir quality at mainstem Arkansas River sites, major tributaries, and Pueblo Reservoir.

Purpose and Need: USGS programs are fundamental to the operation of programs set up under agreements among the District and its partners.

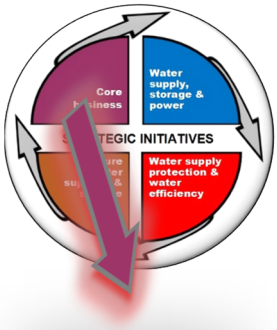
Operating Impact: The Engineering Department works with the USGS annually to approve work plans. The Finance Department coordinates payments.

Environmental Impact: Baseline water quality studies were crucial to agreements among Arkansas River basin water users in the 2000s. Continued monitoring is needed in the future.

Social Impact: Stream gauges are important in the administration of water rights, as well as their role in environmental issues.

Water Quality Expenditures	2019	2020	2021	2022
U.S. Geological Survey Contracts	$191,274	$197,013	$199,002	202,981

Financial Strategy and Sustainability Study



Core Business

The District performed its first Financial Plan and Cost of Service Study, providing a better understanding of finances, and a more solid rate structure. A major recommendation was to do a follow-up study after three years, in 2022, at an estimated cost of $75,000. The financial study is important for the long-range financial health of the District, as well as assuring fair and equitable treatment of all customers.

Executive Committee Workshop/SECWCD

Charting a Course for the Future...

The District hired the firm of Jacobs to do its Financial Strategy and Sustainability Study in January 2019. Jacobs produced a Financial Plan, Analyses of Policies, Capital Improvement Plan, Revenue Requirement Analysis, Cost of Service Analysis and Rate Design Analysis.

The result of the study was an increase of water rates for 2020. The study broke down the District and Enterprise into subfunds. In the District Fund, the Fry-Ark Project and Operations were identified as subfunds, while Water Sales & Storage, and Hydroelectric subfunds were identified in the Enterprise.

The Fry-Ark subfund is primarily funded by the 0.9 Contract Mill Levy, and will pay off the Project construction in 2031, and OM&R costs throughout that period.

Revenues from the Contract Mill Levy also will be used to generate a reserve fund for extraordinary Project costs.

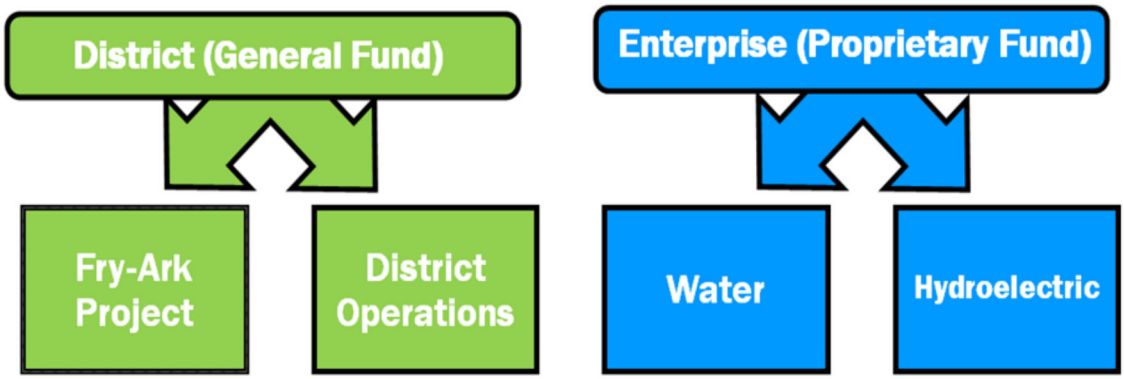
The Hydroelectric subfund is expected to be self-sustaining for the foreseeable future.

Operating subfund revenue is limited by state constitutional and statutory restrictions.

The Financial Plan revealed a revenue requirement of $1.72 million annually, based on a 10-year analysis. That requires higher rates for water sales.

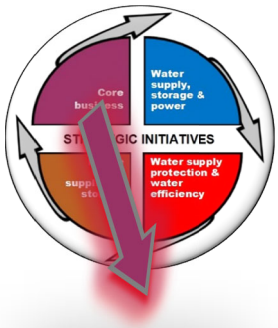
Storage fees will be discussed in 2020.

The Board amended the contract to include a study of eliminating surcharges by 2021. Surcharges remain for 2020.



Water Rate Study	2019	2020	2021	2022
Will be updated in 3 years	$192,000	$100,000	0	$75,000

District: Headquarters



Core Business

The headquarters for the Southeastern Colorado Water Conservancy District was built in 2000 at the Pueblo Airport Industrial Park. A balance of upgrades and upkeep keeps it going.

A more comprehensive look at headquarters upgrades is presented in the 2020 Capital Improvement Plan.


Boardroom/SECWCD

Comfortable, Valuable Asset to the Community

Description: As part of the Financial Strategy and Sustainability Study, the District began looking at the capital needs associated with its Headquarters. One of the most pressing needs is to improve the audio-visual presentation of the Boardroom and Conference room. Modernization of the Boardroom is needed as well.

Purpose and Need: A comfortable, safe meeting room with excellent presentation, communication, and recording systems is needed to ensure fairness and transparency.

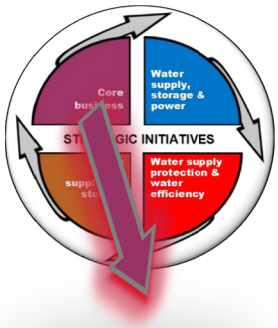
Operating Impact: Administration Department has primary responsibility, assisted by input from all other departments on the need and timing of upgrades.

Environmental Impact: Demonstration Gardens at District Headquarters provide an oasis of habitat at the Pueblo Airport Industrial Park, as well as inspiration for other property owners.

Social Impact: Landscaping with native and drought-tolerant plants is emphasized in the Demonstration Gardens. Meeting rooms are used by various community groups.

Headquarters Operation	2019	2020	2021	2022
Operations and Recurring Capital	$210,686	$306,816	$457,158	$361,921

District: Fleet Management



Core Business

The District maintains three vehicles, which are replaced every six years on a rotational basis. Vehicles are needed for staff attendance at meetings, and during working hours while on official District business.


2017 Toyota RAV4/SECWCD

Driven for Success

Description: The District supplies a car for the use of the Executive Director, as well as two vehicles for staff. The latest purchase was a Toyota Highlander in 2019.

Purpose and Need: District staff routinely travels to events throughout Colorado. The vehicles are also used for shorter trips on official District business.

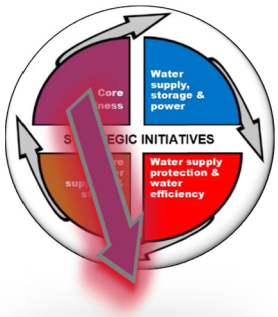
Operating Impact: Cars are maintained on a service contract overseen by the Administration Department.

Environmental Impact: Hybrid cars are purchased when possible. Low emissions are a priority.

Social Impact: Transportation choices reflect on the professionalism of staff while on official business.

District Vehicles	2019	2020	2021	2022
3 vehicles, 6-year rotation	$31,606	—	$5,000	—

District: Information Technology



Core Business

The District contracts for its information technology services. It is important to all facets of District and Enterprise operations to have up-to-date, reliable, and compatible information systems.

Making Information Flow Like Water

Description: Support for electronic hardware and software is needed in order for the District to keep pace with outside agencies. Upgrades are consistent with the communication needs of all departments.

Purpose and Need: Communication needs are readily apparent, instantaneous, and sometimes critical. A recent example of an upgrade is the remote monitoring of the James W. Broderick Hydroelectric Plant.

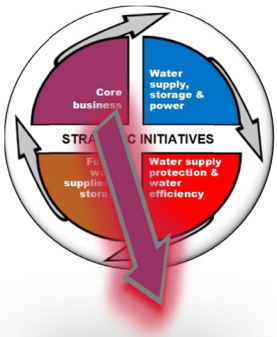
Operating Impact: A contractual arrangement is monitored by Information Technologies staff, currently house within the Finance Department.

Environmental Impact: Remote teleconferencing has reduced the need for traveling long distances to conduct business that can be transacted more efficiently via electronic sources.

Social Impact: Electronic interfaces increase productivity, as well as ensure accurate transactions.

Information Technology	2019	2020	2021	2022
Annual Budgets & Estimates	$12,787	—	$10,000	$60,000

District: Records Management



Core Business

There is a treasure trove of information about Southern Colorado water available at District Headquarters. Moving the information into a digital format will save countless hours of research time when information is needed. The District is investigating the best method to transfer records to a digital format.

Files, reports and maps stored at District offices need to be electronically available.

Moving Mounds of Material into Machines

Description: More than 60 years of District records, as well as decades worth of historical documents that preceded the District are filed at Headquarters. Transferring this information to a digital format that will be useful in future years is a difficult, time-consuming task that requires substantial planning.

Purpose and Need: Beyond the simple limitations of space, paper records can be difficult to access. A systematic retrieval system would save time and effort in searches.

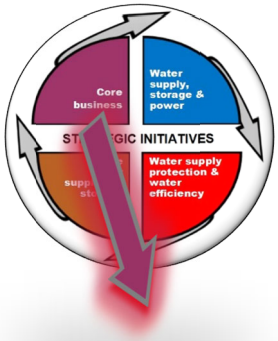
Operating Impact: The Administration, Information Technology and Communications Departments are working toward an integrated electronic filing system.

Environmental Impact: A totally paperless office may not be possible, but cutting down on physical resources would be a tremendous improvement.

Social Impact: Colorado Open Records laws require information be made available in a readable electronic format.

Records Management	2019	2020	2021	2022
Annual Budgets & Estimates	—	$50,000	$50,000	$20,000

District: Human Resources



Core Business

The District has a small staff that has been carefully assembled by matching the right skill sets with the tasks which are most critical to the District. Because staff must work well collaboratively, as well as independently, within and outside the organization, it is essential to have a qualified, motivated workforce.

District staff has grown from just 3 people in the 1960s to 11 in 2019. Increasingly, employees work with consultants to accomplish more complex tasks as well.

Putting the Right Tools in Hands of the Right People

District staff has grown in recent years as tasks have grown more complex, and new skill sets are needed.

The District also relies on consultants to provide vital services.

Salary surveys are performed every three years to compare District salaries with similar agencies throughout the region.

Benefit surveys are done every six years.

While the District has a relatively small staff, it still emphasizes principles which are used in larger organizations.

The District supports continuing education in order for its employees to gain new skills to benefit the District.

In 2019, the Board approved a plan that increased responsibilities and duties of some staff members, along with job classifications that more accurately reflect the nature of their work.

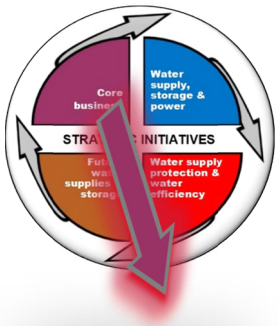
Additional, the Human Resources Committee looked at an Emergency Succession Plan in 2019.

And, in anticipation of key retirements in the next few years, the Committee looked at Workforce Planning in order to anticipate what skill sets will be needed in future years.

Human Resources also is responsible for employment law compliance, benefit management, wellness programs, employee relations, and performance evaluation.

Staff Salaries and Benefits	2019	2020	2021	2022
Annual Budgets & Estimates	$1,549,593	$1,710,556	$1,795,668	$1,835,308

District: Communication & Outreach Plan



Core Business

Several pivotal events in 2019 reinforced the need for a Communication & Outreach Plan. Community meetings were held in support of the Financial Strategy & Sustainability Plan. Staff was involved, as usual, with planning of the Arkansas River Basin Water Forum. The District hosted a tour of the Fryingpan-Arkansas Project for officials from the state of Colorado. And, the dedication of the James W. Broderick Hydropower Plant required intense coordination and planning. In 2020, the District will produce its first Communication Plan.


Reclamation Commissioner Brenda Burman at Hydro Dedication/SECWCD

Let's Give Them Something to Talk About

When your neighborhood spans 250 miles of river, nine counties, 60 cities, towns or water districts, 50 irrigation companies, and more than 60 years of history, you learn to be a good neighbor.

The Southeastern Colorado Water Conservancy District continues to be a regional leader on water issues, both through the activity of its Board and staff members.

In the past two years, the District has a redirected focus toward telling its own story in the development of water resources for southern Colorado. And, it's a good story.

The determination of community business and political leaders formed the District. Leaders in those same positions continue to shepherd the District through the 21st Century.

But new ways of communicating the District's history are important as well.

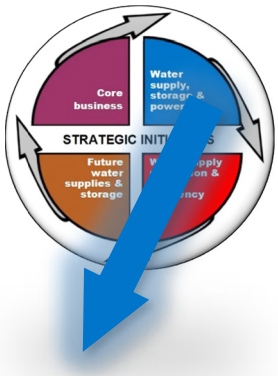
A great example of this was seen in the Financial Strategy and Sustainability Study in 2019. A total of 11 community meetings with stakeholders, the appointment of an Advisory Committee, four workshops with the Executive Committee, and even a radio interview were employed to get the word out.

At the end of the study, there was a large attendance for a rate-setting hearing. But it was apparent from comments made at the meeting that most questions had already been answered.

District staff is already making plans for the 60th anniversary of the Fryingpan-Arkansas Project, which will be upon us sooner than we know...

Community Outreach & Conservation	2019	2020	2021	2022
Annual Budgets & Estimates	$25,405	$22,617	$23,336	$23,802

Enterprise: James W. Broderick Hydropower Plant



Water Supply, Storage and Power

Hydroelectric Power is clean, green energy, and has received more attention as the nation looks for sustainable energy sources. In 2019, the District began operating the James W. Broderick Hydropower Plant at Pueblo Dam. Hydropower has been a part of the Fryingpan-Arkansas Project since it was authorized in 1962, and the Mount Elbert Power Plant was constructed at Twin Lakes as part of the Project. The Enterprise operates the Hydro Plant under a Lease of Power Privilege (LoPP), signed by the District and Reclamation in 2017.

Taking a Powerful Step into the Future

Description: Three turbines and two generators, rated at 7.5 megawatts, are capable of producing electricity at flows ranging from 35 cfs to 810 cfs at the North Outlet Works of Pueblo Dam. Revenues are projected to be about $1.4 million annually, based on historic flows through the North Outlet.

Purpose and Need: A Lease of Power Privilege, offered in 2011, described Reclamation's desire to add hydropower to Pueblo Dam. The District, Pueblo Water, and Colorado Springs Utilities were awarded the LoPP. The District alone signed the LoPP in 2017

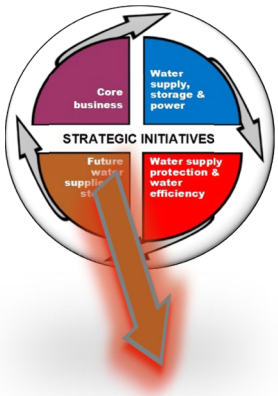
Operating Impact: The Engineering Department works with contractors to operate the Hydro Plant.

Environmental Impact: Hydropower is clean, renewal energy. Flows which are released from Pueblo Dam are routed through the plant, and no water is consumed in the process.

Social Impact: After debt is paid, revenue from the Hydro Plant will fund Enterprise Activities, potential providing OM&R funds for the Arkansas Valley Conduit.

Hydroelectric Expenses	2019	2020	2021	2022
Annual Budgets & Estimates	$901,509	$1,453,867	$1,150,494	$1,421,722

Enterprise: Excess Capacity Master Contract



Future Water Supplies & Storage

The Enterprise manages the Excess Capacity Master Contract with the Bureau of Reclamation. The contract provides the opportunity for stakeholders in the District to store non-Project water in Pueblo Reservoir over a 40-year period that began in 2017. There are 16 participants, with 21 more expected when the Arkansas Valley Conduit is built.

Maximum Storage:

29,938 af

2020 Storage:

6,575 af

Storage amounts may increase, but not decrease under the contract.


Pueblo Reservoir/Brent Gardner-Smith, Aspen Journalism

Making the Most of a Valuable Reservoir

Description: In 2016, the District signed the Excess Capacity Master Contract with Reclamation, which was the result of nearly 20 years of discussions between the District and Reclamation. Pueblo Reservoir primarily stores Project water, but in most years has space to store additional water.

Purpose and Need: Water providers from all parts of the Arkansas River basin have storage needs to store water outside of Project water. Pueblo Reservoir is centrally located.

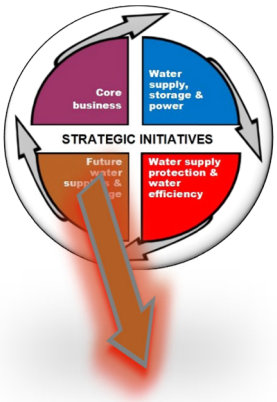
Operating Impact: The Community Relations, Outreach & Conservation office manages the contract in cooperation with the Legal, Financial and Engineering Departments.

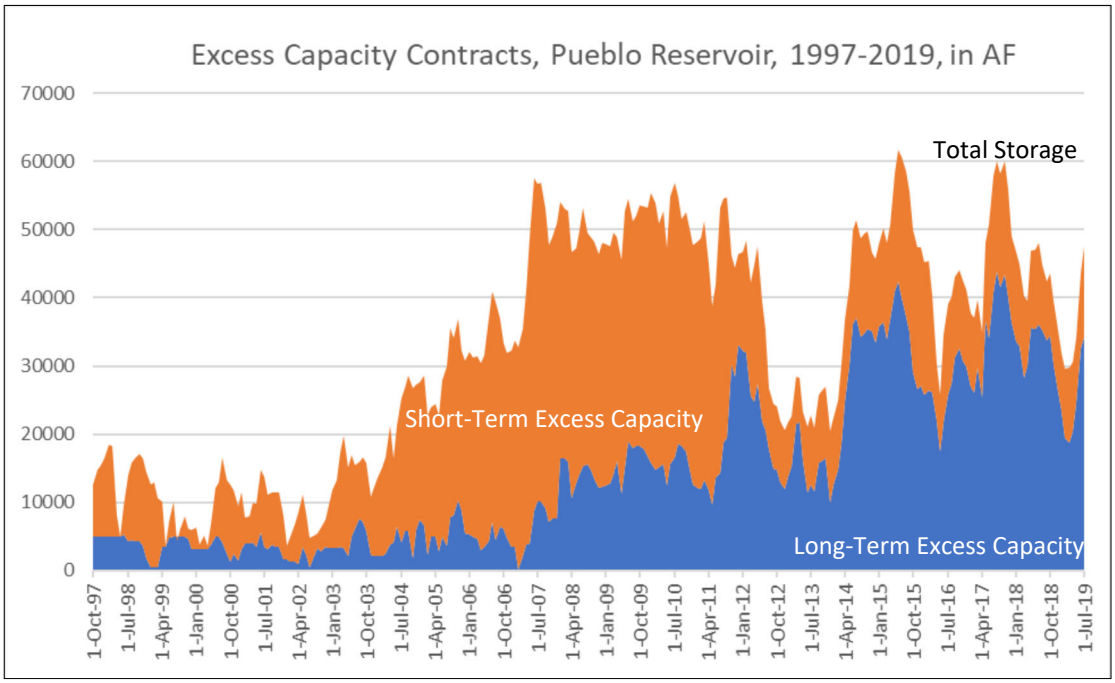
Environmental Impact: Water stored in Pueblo Reservoir reduces the need to build additional storage.

Social Impact: Stored water improves municipal water deliveries, and benefits recreation in Lake Pueblo State Park.

Excess Capacity Master Contract	2019	2020	2021	2022
Payments to Reclamation	$272,382	$277,662	$282,659	$287,722

Long-Term Excess Capacity Storage





Future Water Supplies and Storage

Pueblo Reservoir rarely fills with Fryingpan-Arkansas Project water. In 1986, the Bureau of Reclamation began "if-and-when" contracts that allow non-Project water to be stored in Pueblo Reservoir. Long-term contracts (25-40 years) began in 2000, and in 2020, there are a potential 100,000 acre-feet under long-term contracts. Contracts total more than $3 million annually, and revenues have paid off Project debt for the South Outlet and Ruedi Reservoir. Revenues are going to the Fountain Valley Conduit in 2020-21, and will be available for AVC in 2022.

Storage Patterns are Changing

The Bureau of Reclamation sells space in Pueblo Reservoir to store non-Project water.

Patterns of storage have changed in recent years as municipalities are keeping more water in storage after droughts in the early 2000s.

Most of the storage is now under long-term contracts, and payments are made directly to Reclamation. The Enterprise currently collects surcharges on top of the payments.

The long-term rate for entities within the District is $42.23 per acre-foot, except for Pueblo Water, which pays $17.35 per acre-foot. Out-of-District storage is charged $54.15 per acre-foot.

Other than Pueblo's rate, the charges increase by 1.79 percent annually.

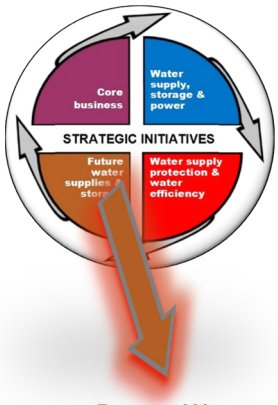
All of the contracts have a maximum amount of storage available, and the actual storage ramps up over time.

Water is subject to "spill," or released from the reservoir, according to priorities established by the District's Repayment Contract with Reclamation. Spills occur when Project water fills available space in the reservoir. Water users have worked collaboratively in recent years to avoid such spills.

Long Term Contracts	Period	Maximum af	Contracted af
Pueblo Water	2000-2025	15,000	12,000
Aurora Water	2007-2047	10,000	10,000
Southern Delivery System	2010-2048	42,000	33,183
SECWCD Excess Capacity Master Contract	2017-2056	29,938	6,575

Water Storage Revenue	2019	2020	2021	2022
Miscellaneous Contract Revenue (PL 111-11)	$3.1 million	$3.2 million	$3.4 million	$3.5 million

Enterprise: Arkansas Valley Conduit



Future Water Supplies & Storage

The Arkansas Valley Conduit was an original feature of the Fryingpan-Arkansas Project, but was never built because participants could not afford the cost. Changes in federal law in 2009 opened a new path to build the drinking water supply pipeline. The District is working with Reclamation to develop a plan to restore funding, reduce costs, and reduce the need for federal appropriations to build AVC. The District is also working with Colorado officials to increase state participation in the AVC.


For illustration purpose only

Bring Clean Drinking Water to the Lower Ark Valley

Description: A drinking water pipeline system from Pueblo Dam to Lamar would serve 50,000 people in 40 communities when complete. Since 2017, the District has promoted a plan to use capacity in Pueblo's system to deliver water to the AVC just east of the Pueblo Airport Industrial Park.

Purpose and Need: AVC provides an alternative source of clean drinking water to communities dealing with contaminated supplies. In the long term, AVC will accommodate growth.

Operating Impact: The Engineering Department works with the Community Relations, Outreach & Conservation office in coordination with the Bureau of Reclamation.

Environmental Impact: The AVC will reduce the concentration of naturally occurring radioactive materials, selenium and nitrates in wastewater releases in the Lower Arkansas Valley.

Social Impact: People in rural America deserve access to clean drinking water, and the AVC is the most economical way to accomplish this.

Arkansas Valley Conduit	2019	2020	2021	2022
Enterprise support activities budget	$230,000	$344,609	$351,222	$358,251

Enterprise: New Water Sources

Future Water Supplies and Storage

One function of the Southeastern Colorado Water Conservancy District, under state statute, is to purchase water rights for the benefit of stakeholders. The District Board has discussed this possibility in the past, but no action has resulted. There may be situations in the future where the District could purchase water rights to fill gaps in its portfolio.

Does the District need to shore up its portfolio?

Description: The District owns the water rights associated with the Fryingpan-Arkansas Project in both the Colorado River and Arkansas River basins. As a source of supplemental water, there is no "minimum" level of supply. Stakeholders could require a more reliable supply in the future.

Purpose and Need: Buying water rights could fill gaps such as supplying additional water in dry years or producing water at the right place and time.

Operating Impact: Coordination between legal and engineering, along with a policy decision to purchase water rights by the Board.

Environmental Impact: Buying water rights could improve stream flows by leaving more water in the river. Existing water uses are protected by state law.

Social Impact: The District should not become a competitor with stakeholders if it enters the water rights market.

Water Rights Purchase	2019	2020	2021	2022
(Requires Board action)	—	—	—	—

Enterprise: Recovery of Storage

Water Supply , storage and Power

In October 2019, the Board voted to begin a Recovery of Storage program to regain space lost to sedimentation in Pueblo Reservoir.

The Resource, Engineering and Planning Committee and Allocation Committee agreed that recovering storage is a more pressing need than enlargement at this time.

Regaining Precious Space to Store Water

Description: Sedimentation in Pueblo Reservoir has reduced the available storage space by 20,000 acre-feet over the past 45 years. Turquoise Lake and Twin Lakes also have lost space. Recovery of Storage will look at methods to regain the amount of Project Storage that has been lost.

Purpose and Need: Pueblo Reservoir water levels have risen because cities are keeping more water in storage since droughts in the early 2000s. Spills are becoming more likely. A new study was initiated in 2019.

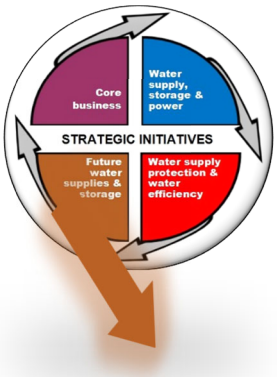
Operating Impact: The Engineering Department will work with the Bureau of Reclamation. Legal and political action could be necessary.

Environmental Impact: Work on Pueblo Reservoir likely would require a process under the National Environmental Protection Act.

Social Impact: A population of nearly 900,000 people depends on Pueblo Reservoir for drinking water supplies, as well as recreational opportunities.

Recovery of Storage	2019	2020	2021	2022
Initial study	—	$200,000	$200,000	$200,000

Enterprise: Expansion of Storage



Future Water Supplies & Storage

Part of the discussion by the Resource Engineering and Planning Committee and Allocation Committee in November 2019 was whether expansion of storage is as critical as outlined in the 1998 Water and Storage Needs Assessment. The conclusion was that the major municipalities are proceeding with other options, excess capacity storage has been developed, and growth has not occurred at the predicted pace. That's not to say that more storage could be needed in the future.

Storage needs have changed in 20 years

Two factors have lowered the M&I demand projected in the 1998 Water and Storage Needs Assessment:

- **Population growth:** While El Paso and Chaffee counties have significantly increased population since 1998, growth has been slower in Pueblo and Fremont counties. Counties east of Pueblo generally lost population.
- **Conservation:** Per capita water use, particularly in El Paso and Pueblo counties, has dropped significantly.

PROJECTIONS	Population	Water Use
1998	620,917	148,114 af
2019 (Actual)	893,261	165,682 af
2020 (Low)	973,927	213,572 af
2020 (High)	1,107,661	244,072 af
2040 (Low)	1,192,598	243,470 af
2040 (High)	1,626,678	335,013 af

The 1998 study was completed at the end of two decades of the largest population growth and wettest weather on record in the Arkansas River basin.

In addition, growth rates in the region were higher overall (about 47 percent from 1980-2000) and particularly in El Paso County (68 percent from 1980-2000). In the 2000-2017 period, growth overall has slowed to 26 percent, and El Paso County to 34 percent.

During the severe drought of 2002, many communities were on water restrictions. Following the drought, there was an increase in active conservation programs by cities within the District. There was also direction from the Colorado Water Conservation Board to conserve water, and it was included as a statewide goal in the 2015 Colorado's Water Plan.

Strategies for reducing water use included increasing block water rates, reducing outdoor use through education programs and realizing savings through more efficient appliances.

Many residential customers have reduced water use on their own as a response to drought or pricing. For instance, a study by Pueblo Water found water use decreased by about 17 percent from 1996-2007. Fountain water users cut back on use when rates increased as a result of Southern Delivery System.

The outcome has been a reduction in total water use despite an increase in population. The downside of the conservation trend is "demand hardening" that will reduce municipal options in times of shortage. This is a major reason for increasing the amount of water in storage to manage growth.

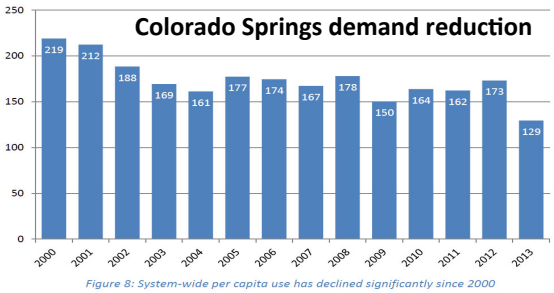
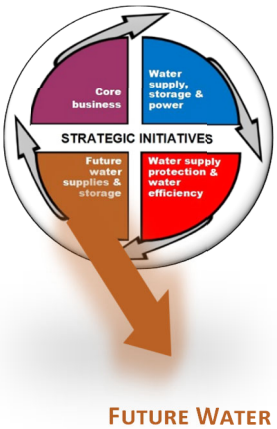


Figure 8: System-wide per capita use has declined significantly since 2000

Expansion of Storage	2019	2020	2021	2022
For future consideration only	—	—	—	—

Restoration of Yield



Future Water Supplies & Storage

In 2004, there was concern that water exchanges into Pueblo Reservoir had the potential to dry up the Arkansas River through Pueblo. To settle the issues, the entities with exchange rights entered into the Pueblo Flow Management Program. One goal of the program is to capture foregone exchanges downstream, through the Restoration of Yield program.

ROY Participants

Pueblo Water	28.58%
Colorado Springs	28.57%
Aurora	28.57%
SECWCD	4.76%
Fountain	4.76%
Pueblo West	4.76%

Pueblo Whitewater Park/Chad Parsons

District supports Pueblo Flow Management Program

Description: The District is a participant in the six-party intergovernmental agreement (IGA) signed in 2004. Part of the IGA involves development of storage downstream from Pueblo Reservoir in order to capture releases for future exchange, known as Restoration of Yield. The group has identified several options for storage.

Purpose and Need: The largest partners in the IGA are Colorado Springs Utilities, Aurora Water and Pueblo Water. The District has a 4.76 percent share, so is not a decision maker.

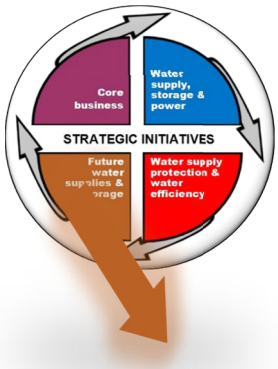
Operating Impact: The Engineering Department works with IGA partners in evaluating potential sites. Payments are coordinated through the Finance Department.

Environmental Impact: The IGA helps stabilize flows through Pueblo for fish habitat.

Social Impact: Recreation flows through Pueblo are enhanced under the IGA.

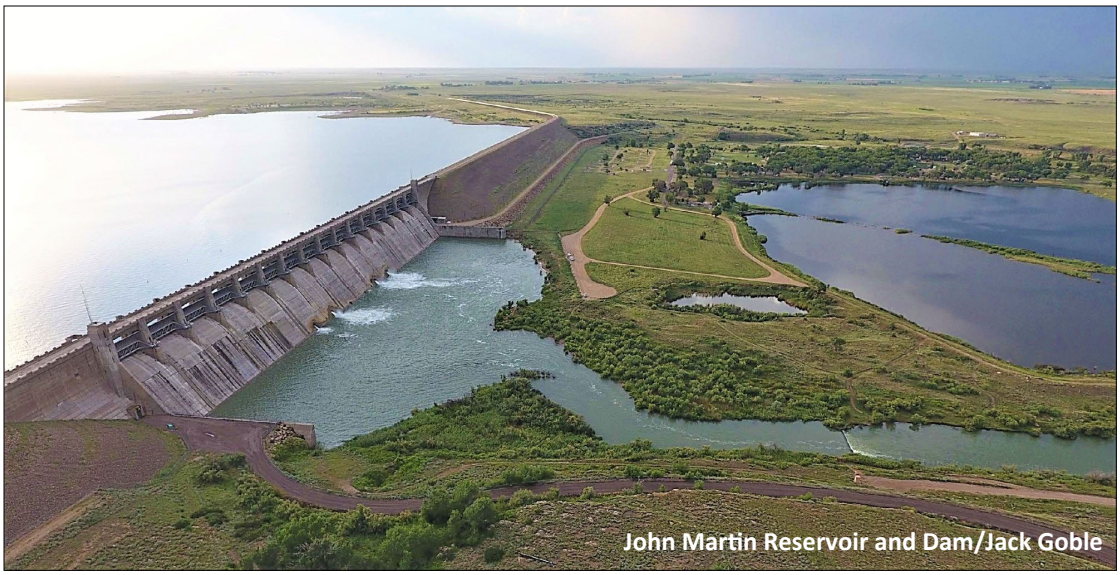
Restoration of Yield	2019	2020	2021	2022
2020 Budget is full share of purchase	0	$1,050,000	$200,000	$200,000

John Martin Reservoir Storage



Future Water Supplies & Storage

The U.S. Supreme Court battle between Kansas and Colorado over the Arkansas River Compact ended in 2009, opening the possibility that the largest reservoir in the Arkansas River basin could be open for excess-capacity storage for certain Colorado entities. The Arkansas River Compact Administration is deliberating, but has made no decision. Storage in this part of the Arkansas River basin could improve deliveries to some entities.


John Martin Reservoir and Dam/Jack Goble

Window of Opportunity for downstream storage

John Martin Reservoir was completed in 1948 as the regulating reservoir for the Arkansas River Compact between Kansas and Colorado.

The Compact was signed by both states and ratified by Congress shortly after completion. After a 24-year Supreme Court battle ended in 2009, the Arkansas River Compact Administration (ARCA) again began talking about the possibility of opening accounts for Colorado users in John Martin Reservoir.

John Martin Reservoir often has excess capacity space, filling to its conservation and recreation storage capacity of 341,000 acre-feet only during extremely wet years.

In 2015, the Colorado Water Conservation Board asked the Lower Arkansas Valley Water Conservancy District to sponsor a feasibility and scoping study. Deere & Ault Consultants completed Phase I of the study in 2017. Nine groups, including the Southeastern Colorado Water Conservancy District, have expressed an interest in using John Martin for storage.

Others include four augmentation groups, the cities of Lamar and La Junta, the Lower Arkansas District, and Tri-State Generation & Transmission Co. Tri-State owns about half of the Amity Canal shares, and Amity stores some water in John Martin now.

The study identified benefits for Colorado and Kansas. Augmentation flows, fully consumable flows from the Fry-Ark Project, and capturing releases from Pueblo Reservoir to avoid spills or move water would benefit Colorado. Kansas would receive a 5 percent storage charge (in water), reduce evaporation on its water, and receive better quality water.

Phase II of the study will be to provide a draft proposal of the study to Kansas for review, recommend changes in the 1980 Operating Plan and accounting system, and present the plan to ARCA.

John Martin Reservoir Storage	2019	2020	2021	2022
For future consideration only	—	—	—	—

Upper Basin Storage

Future Water Supplies & Storage

Future storage in the Upper Arkansas River basin will allow the District to better time delivery of imported water, provide more efficient delivery to entities west of Pueblo, and to release water for the Upper Arkansas Voluntary Flow Management Program.


Trout Creek Project/UAWCD

Upper Ark District pursues Trout Creek project

Innovative projects by the Upper Arkansas Water Conservancy District propose to add integrated surface and underground storage in the Upper Arkansas River.

Two projects also will explore new concepts for an interruptible water supply for cities in order to avoid "buy and dry" of irrigated farmland; enhance recreational and environmental opportunities; provide low-impact hydroelectric power generation; educate the public; and encourage public-private collaboration.

The two projects share many of the same components, but different in scale. Currently, the Upper Ark District is doing a feasibility study at Lake Ranch. The Trout Creek Multi-Use Project, for which the Upper Ark District is seeking funds in the form of partnerships, is a larger, more complex version of the Lake Ranch Multi-Use Project.

The project is located just west of Trout Creek Pass near Buena Vista, in an area that presently contains wetlands, wildlife habitat, and irrigated agriculture. The goal is to keep all of those values in a sustainable project.

Crucial to that is the need for storage. Trout Creek Reservoir, underground storage, and aquifer recharge ponds will all work in concert to fulfill the goal.

Upper Arkansas Storage	2019	2020	2021	2022
Trout Creek Partnership (budget capacity)		$25,000	$25,000	$25,000

Fryingpan-Arkansas Project: Winter Water

Water Supply , Storage and Power

Revenues from Winter water storage are passed through to the Bureau of Reclamation by Contract. Estimates of revenue are based on a rolling 20-year average of storage in Pueblo Reservoir, now at 42,000 acre-feet.

Saving something up for a sunny day

Description: The Winter Water Storage Program allows farmers to store water from November 15-March 15, during which few crops that require irrigation water are growing. Water can be stored in Pueblo Reservoir, John Martin Reservoir, or downstream reservoirs owned by canal companies.

Purpose and Need: Winter water fees historically have paid Fry-Ark Project Contract costs and are collected by the District and passed through to the Bureau of Reclamation. The District charges a fee for administering the program.

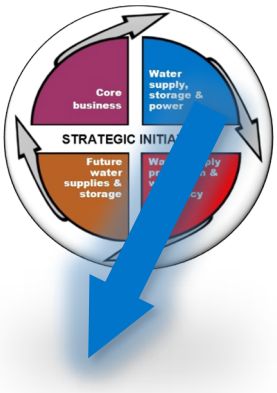
Operating Impact: The Engineering Department works with the Colorado Division of Water Resources to administer the program. The District coordinates at least one annual meeting.

Environmental Impact: Irrigation during the winter months is not as beneficial to agriculture or the riparian habitats associated with good farming practices.

Social Impact: Irrigation maintenance during sub-freezing weather is an unpleasant, costly, and at times dangerous activity.

Winter Water Revenue	2019	2020	2021	2022
Pass-through to Reclamation	$118,506	$117,600	$117,600	$117,600

Fryingpan-Arkansas Project: Safety of Dams



Water Supply , Storage and Power

Pueblo Reservoir is terminal storage for the Fryingpan-Arkansas Project, and offers excess-capacity storage space to District stakeholders. The ability of the dam to operate at its Project design capacity is critically important to District operations.

Safety of Dams work in 1998/SECWCD

Protecting Critical Infrastructure pays dividends

Description: The Safety of Dams program of the Bureau of Reclamation completed repairs to Pueblo Dam in 1999. The dam was stabilized by rock bolts and a concrete "doorstop" in the stilling basin. The District's share is an annual $60,000 payment to Reclamation through 2024.

Purpose and Need: The payment is collected through a surcharge on water sales and storage. Surcharge varies by class.

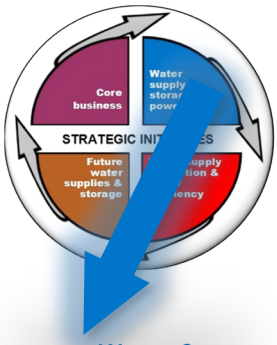
Operating Impact: The Finance Department collects the surcharge and makes the annual payment to Reclamation.

Environmental Impact: Dam safety is essential for protection of Pueblo Reservoir, as well as the Arkansas River below Pueblo Dam.

Social Impact: Lake Pueblo State Park was created after completion of Pueblo Dam and storage of water began in 1974. It remains one of the most popular state parks in Colorado.

Safety of Dams	2019	2020	2021	2022
Payments to Reclamation	$60,000	$60,000	$60,000	$60,000

Project Water Sales: Municipal and Agricultural



Water Supply , Storage and Power

Along with storage fees, water sales are the primary source of revenue for the Enterprise Activity. The District adopted a new rate structure for 2020, after more than 20 years without a rate increase. There may yet be more changes for 2020, but the final rate cannot exceed the amounts recommended in the Financial Strategy and Sustainability Plan.

Water sales prices increased for 2020

The Enterprise Board voted in November 2019 to adopt a rate of $13.14 per acre-foot (af), up from $7/af, for Project water in 2020, but reserved the option of further rate adjustments as financial discussions continue. The rate for Return Flows was increased to $12/af, up from $6/af. Storage charges and surcharges will remain unchanged for now.

The Board will discuss recommendations from the 2019 financial study in the first quarter of 2020. Those recommendations included a base charge for Project water storage beyond the first year, increasing Winter water charges, increased Return Flow rates, and a split rate for Municipal & Industrial and Irrigation.

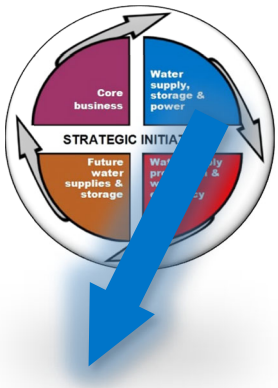
In addition, Jacobs, the firm hired to do the financial study, will look at the impact of altering surcharges for the 2021 fiscal year and beyond.

In any case, water rates will not increase more than the Option 1 Aggressive recommendations in the financial study.

Description	2020 Rates and Surcharges ($/ac-ft) (as of 11/21/2019)					
	Proposed Water Rate ($)	Safety of Dams ($)	Water Activity ($)	Environmental Stewardship ($)	Augmentation ($)	Proposed Total Charge ($)
Project Water Sales						
Irrigation	13.14	0.50	0.75	0.75	--	15.14
Municipal	13.14	0.50	1.50	0.75	--	15.89
Project Water Sales used for Well Augmentation						
Irrigation used for Well Augmentation	13.14	0.50	0.75	0.75	2.60	17.74
Municipal used for Well Augmentation	13.14	0.50	1.50	0.75	2.60	18.49
Storage Charges						
Winter Water Storage*	2.80	0.25	--	0.75	--	3.80
Carry-Over Project Water	--	1.00	1.25	0.75	--	3.00
If and When Storage						
In District	--	0.50	0.50	0.75	--	1.75
Out of District	--	2.00	4.00	0.75	--	6.75
Aurora	--	--	10.00	--	--	10.00
Project Water Return Flows						
Irrigation	12.00	0.50	--	0.75	--	13.25
Municipal	12.00	0.50	--	0.75	--	13.25

Water Sales Revenue	2019	2020	2021	2022
Based on 20-year average	$441,000	$578,548	$578,548	$578,548

Municipal Carryover Storage



Water Supply, Storage and Power

Allocation principles allow municipal water to be stored in Pueblo Reservoir for multiple years. There has not been a charge for that, but the cost of service study that was part of the Financial Strategy and Stability Study recommended that such charges should be phased in over a five-year period. This will be discussed by the Board in the first quarter of 2020.


Pueblo Reservoir/SECWCD

Storage charges to be considered by Board

Pueblo Reservoir was primarily built to store water brought into the Arkansas River basin until it could be put to beneficial use. Recognizing the variability of the region's hydrology, it was always intended to fill, release water, and refill again.

Storage patterns by municipalities began to change following the severe drought of 2002, however, municipal users have kept greater volumes of water in storage.

The result has caused a change in the amount of Return Flows, and reduced demand for municipal Project water.

In the Financial Strategy and Sustainability Study, Jacobs Engineering attempted to assign a cost to storage, based on the number of acre-feet stored in Pueblo Reservoir and the "opportunity cost" to the District.

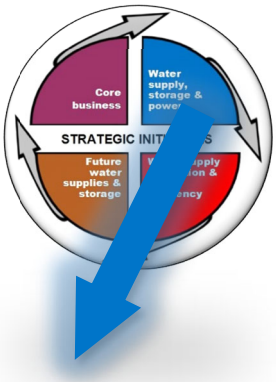
This led to a discussion by the Board of whether that was an appropriate method to use in assigning costs to storage, and how much storage should be charged.

In the first quarter of 2020, the Board will take up the question of how storage should be paid for. Only municipalities may carry Project water over for more than one year, and they already bear the costs for evaporation.

Ad valorem taxes repay construction costs, as well as OM&R for the Project. However, just as users pay annually for water that is imported, there is an appropriate cost for storage beyond the first year for water that is not used.

Municipal Carryover Storage	2019	2020	2021	2022
Under Board Review	—	—	—	—

Return Flows/ First Right of Refusal



Water Supply , Storage and Power

The District has sold Return Flows from Project water since 1972. Return Flows provide revenue to support the Water Activity Enterprise.

The Board voted in December to increase the rate for Return Flows to $12, up from $6 in prior years.

Return Flows Complete the Water Cycle

When water is diverted, whether for Irrigation or M&I use, it is not fully consumed. Water returns to the Arkansas River through runoff from fields, percolation through soil, off city streets, and through sanitary sewers.

Project water Return Flows are calculated through models, and in some cases measured, and can be reused "to extinction," because they are generated from non-native water that has been brought into the Arkansas River basin.

As the owner of the water rights to the Fryingpan-Arkansas Project, it is the District's obligation to make sure those flows are reused for beneficial purposes.

Irrigation Return Flows are sold as augmentation water, either for wells or for surface water that is stored in head stabilization ponds for large-scale sprinklers.

Augmentation plans are designed to return 100 percent of the non-consumptive use to the Arkansas River.

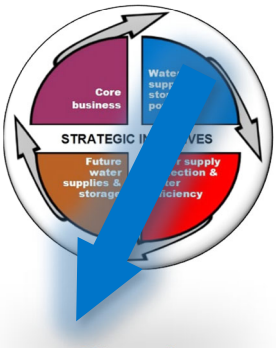
Agricultural First Right of Refusal

In 2014, farmers on the Fort Lyon Canal asked to reuse their Return Flows, a provision of the allocation principles which had never been implemented. The Board agreed to a five-year pilot program to determine how this would work. The pilot showed that Return Flows can be allocated for augmentation plans, with proper accounting procedures. In 2019, Return Flows were used by the Rocky Ford High Line Canal and Oxford Farmers Ditch as well, after mechanisms to apply to Return Flows were identified. In 2020, other large canals in the Lower Arkansas Valley will be evaluated to determine whether more ditches can take advantage of first right of refusal.

The revenue from Return Flows is a funding stream that supports the District's Water Activity Enterprise, and was in fact the reason the Enterprise was formed in 1996.

Return Flow Sales/Irrigation, M&I	2019	2020	2021	2022
Based on 20-year average	$109,031	$128,950	$128,950	$128,950

Water Sales & Storage: Surcharges



Water Supply , storage and Power

The Board voted in October, 2019, to study the impact of removing surcharges and incorporating those revenues into the water sales and storage rate structure.

Surcharges will remain in place for 2020, but may later be phased out.

Enterprise surcharges include:

Safety of Dams (1998)

Water Activity Enterprise (2002)

Well Augmentation (2005)

Environmental Stewardship (2014)

Board launches study of surcharges in 2020

Surcharges were added to water charges in 1998, when the Board faced extraordinary expenses in order to repay the Bureau of Reclamation for Safety of Dams work on Pueblo Dam.

Over the course of the next 15 years, the Board found it necessary to add surcharges for other purposes as well.

In some cases, certain classes of water sales or storage pay different rates of surcharges.

Like water rates, the revenue from surcharges varies according to imports.

During the Financial Strategy and Sustainability Study in 2019, the Board voted to study the impact on water rates from removing or altering surcharges in 2021 and beyond. The task will be added to the Jacobs Engineering contract for the Financial Study.

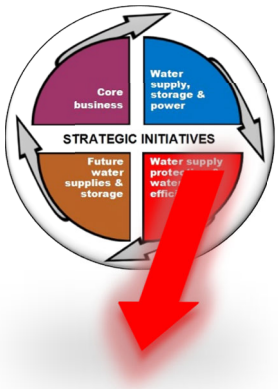
Jacobs did not include the surcharges in the cost of service analysis that was part of the Financial Study because the surcharges had been put in place by past Board actions.

Surcharges are sometimes used by municipal water providers or other governmental agencies to meet specific needs.

The Board's choice in the surcharge discussion will be whether the items now funded by surcharges can be covered by General Fund or Enterprise revenues.

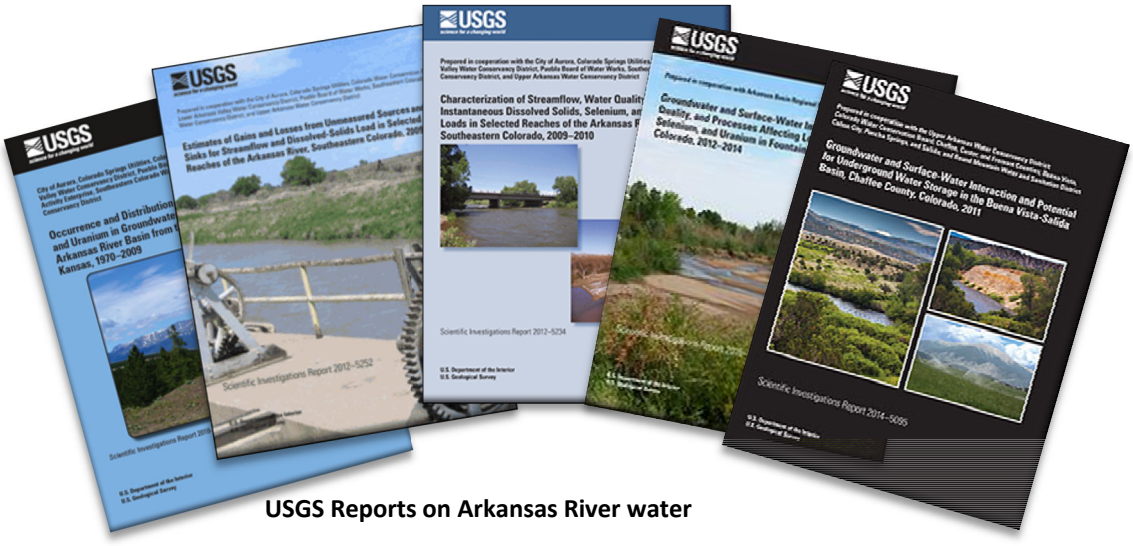
Water Sales and Storage Surcharges	2019	2020	2021	2022
Budget based on 20-year averages	$689,247	$594,605	$594,605	$594,605

Regional Resource Planning Group



Water Supply Protection and Water Efficiency

More than a decade of studies guided by the Regional Resource Planning Group have produced clearer understanding of water quality issues in the Arkansas River basin. The group is now considering a future course of action that will guide future studies.



USGS Reports on Arkansas River water

Description: The Regional Resource Planning Group (RRPG) was formed in 2003 under an Intergovernmental Agreement between the District and Aurora. It has met annually since then to develop baseline water quality information for the Arkansas River basin. It primarily has contracted with the U.S. Geological Survey for studies.

Purpose and Need: The group includes Aurora, Colorado Springs Utilities, Pueblo Water, the Southeastern District, the Upper Arkansas and Lower Arkansas Conservancy Districts.

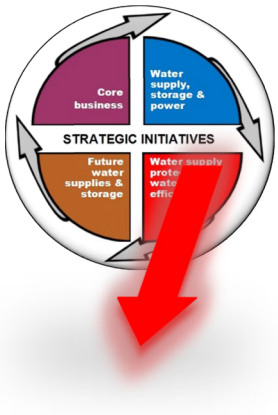
Operating Impact: The Engineering Department organizes an annual meeting where a scope of work is agreed upon. No scope was developed for 2019.

Environmental Impact: The studies identified so far have determined non-point source pollutants for the Arkansas River from Leadville to John Martin Reservoir.

Social Impact: The studies are intertwined with various legal and political agreements.

Regional Resource Planning Group	2019	2020	2021	2022
Annual Budget	—	$135,000	$135,000	$135,000

Arkansas Basin Roundtable/Water Forum



Water Supply Protection and Water Efficiency

The Arkansas Basin Roundtable formed in 2005 under the *Water for the 21st Century Act* as a way to promote open discussion of water issues. The first Arkansas River Basin Water Forum was in 1995, as a way to provide education about water issues to a diverse group. Both of the programs continue to provide information and topical discussion about regional water issues.

Greg Felt, a member of both the Southeastern Colorado Water Conservancy District and Upper Arkansas Water Conservancy District Boards, was interviewed by a Pueblo television station in 2019 at the Arkansas River Basin Water Forum. The forum moves to Salida in 2020.

Creating an environment for meeting of the minds

The **Arkansas Basin Roundtable** meets monthly, and considers issues that affect multiple water users. Funding for water projects is available through Water Supply Reserve Fund grants administered by the Colorado Water Conservation Board (CWCB).

The Roundtable created a Basin Implementation Plan in April 2015, as part of Colorado's Water Plan. The plan looks at the consumptive (Municipal & Industrial and Agriculture) and non-consumptive (Environment and Recreation) water needs in the Arkansas River Basin.

Membership is defined by state statute, and includes one seat for the Southeastern Colorado Water Conservancy District, as well as all other conservancy districts, counties, and municipal entities within each county. There are also 10 at-large seats and a legislative appointee. The basin's CWCB representative is a member of the Roundtable.

The Roundtable chooses two appointees to the Interbasin Compact Committee (IBCC), a statewide group also formed under the *Water for the 21st Century Act.* The IBCC is studying how to provide water for future needs, sometimes referred to as "the gap."

The **Arkansas River Basin Water Forum** meets annually in different cities within the basin, and traditionally has been supported by the Southeastern District.

The Forum originally focused on providing a basic education to attendees about the various federal, state, regional and local water agencies in the Arkansas River basin.

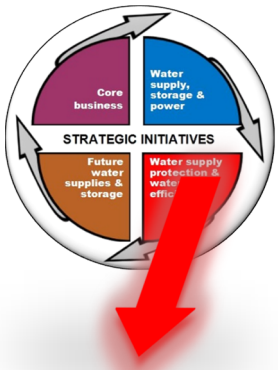
Over the years, the group has explored controversial issues, including the Arkansas River Compact, agricultural water rights transfers to cities, and Fountain Creek pollution.

The group has also continued its mission to educate water users about all activities within the basin.

Each year, the group presents the "Bob Appel Friend of the Arkansas Award" to a prominent water leader in the basin.

Roundtable/Water Forum	2019	2020	2021	2022
Water Forum Sponsorship	$2,500	$2,500	$2,500	$2,500

Upper Ark Voluntary Flow Management Program



Water Supply Protection and Water Efficiency

The Voluntary Flow Management Program on the upper Arkansas River began in 1991 in an effort to time water releases in a way that is beneficial both to the boating industry and fish in the Arkansas River.

Description: The Fryingpan-Arkansas Project imports an average of about 55,000 acre-feet annually, After deductions, about 42,000 acre-feet of water is available for allocations. Allocation Principles allow 54.59 percent for domestic use and 45.41 percent for irrigation. Historically, irrigation has used 72 percent.

Purpose and Need: Allocation of supplemental water from the Project is the primary purpose of the District. Water sales revenues fund the Enterprise Activity.

Operating Impact: The Engineering Department works with the Bureau of Reclamation on forecasts and accounting of Project water. Revenues are used in the Business Enterprise.

Environmental Impact: Additional water contributes to flows in the Arkansas River and the District mitigates West Slope impacts through its Environmental Stewardship fund.

Social Impact: Project water adds to the economic vitality of rural, urban and recreational regions in the Arkansas River basin.

Voluntary Flow Management Program	2019	2020	2021	2022
District legal, administrative involvement	—	—	—	—

Watershed Health

Water Supply Protection and Water Efficiency

Large wildland fires in Colorado have destroyed thousands of acres in the past 20 years, spurring statewide efforts to better understand the cause, treatment, and recovery from disastrous fires.

Beetle-killed trees/Colorado State Forest Service

Fires pose new challenges for water managers

Description: Wildland fires in recent years have destroyed vegetation in portions of the watersheds which feed reservoirs in Colorado. Efforts are underway to prevent more damage, as well as to mitigate past damage. The chief danger to the Fryingpan-Arkansas Project is increased sediment in Project reservoirs.

Purpose and Need: Cooperative efforts among municipalities, the Arkansas Basin Roundtable, federal agencies, state agencies, and other groups are addressing the problem.

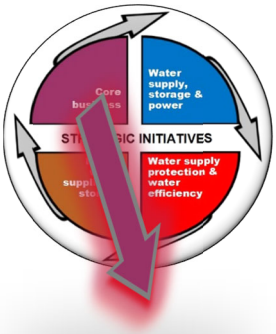
Operating Impact: The District works with the Bureau of Reclamation to fund fire prevention and mitigation programs in both the Colorado River and Arkansas River basins.

Environmental Impact: Watershed health affects more than just the watershed. Recreational, scenic, and habitat values are also enhanced with a healthy watershed.

Social Impact: Removing sediment from reservoirs is costly and diverts financial resources from other worthwhile maintenance of infrastructure. Colorado's economy benefits from tourism enhanced by healthy watershed.

Watershed Health	2019	2020	2021	2022
Included in Reclamation OM&R	—	$10,000	$10,000	$10,000

RESERVES



CORE BUSINESS

The Board in 2018 set up categories for reserves. In 2019, the Board adopted reserve policies based on recommendations from Jacobs Engineering in the Financial Study.

In 2020, the Board will take up the issue of how to fund the reserves, structure of the reserve funds, and what level of funding will be maintained.

Reserve Category	Purpose	Target Funding Level
Cash Reserve	Working cash sufficient to fund cash-flow variations in a typical operating cycle.	(To be determined)
Operating Reserve	Covers potential interruptions in District Operations and District Enterprise Fund revenue streams; and may be used to smooth and stabilize water rates over the short term.	(To be determined)
Capital Reserve	Funds capital repair, replacement, or betterment of SECWCD properties; funds other capital activities that may be undertaken by SECWCD.	(To be determined)
Exposure Reserve	Covers extraordinary, unforeseen events not otherwise covered by reserves or insurance.	(To be determined)

District considers new approach to funding reserves

A new approach to fund reserves was recommended in the Financial Study to create broad categories of reserves that would allow the District and Enterprise to meet extraordinary costs in the future — including costs that are known and those that are unexpected.

While the Board approved the categories, the target levels are yet to be determined.

The approach differs from the 2018 decision by the Board to assign target amounts to specific categories, which will now be covered in the Capital Reserve.

The four types of reserves are shown in the table above.

Amendment 11 of the District's Repayment Contract with Reclamation established a reserve fund that will use ad valorem tax revenues that are not needed for repayment or OM&R on the Fryingpan Arkansas Project. This reserve cannot be used for the District Operating Fund or for the Water Activity Enterprise Fund.

Board action is still needed on setting up reserve funds for the District and Enterprise.

The Need for Reserves

The Board identified the following reserve categories in September 2018:

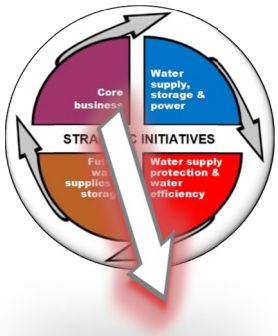
District Fund

- Fry-Ark repayment
- Fry-Ark improvements
- Fry-Ark asset evaluation
- Fry-Ark condition assessment
- Recovery of storage
- Enlargement
- Pueblo Dam interconnect
- Financial studies
- Water rights protection
- Watershed management/healthy forests
- Conservation
- Environmental recovery
- Water rights purchase
- Safety of Dams
- District operations
- Headquarters improvements

Enterprise Fund

- Water sales and storage revenue
- Rocky Ford Ditch settlement (Aurora)
- Excess Capacity Master Contract
- Fountain Creek transit loss
- Safety of Dams
- Restoration of Yield
- Upper Basin Storage
- Arkansas Valley Conduit
- Hydroelectric Power

Fund Balances: District and Enterprise



Strategic Goals

As the District looks to the future, it must have the resources to meet its goals in all areas.

Such events as drought, system outages, and economic downturns all have the potential for impacting revenues in the District and Enterprise.

The Board in 2020 will look at future reserve spending, and a full accounting of fund balances is a necessary first step.

Healthy year for fund balances in District, Enterprise

The year-end 2019 estimates can be found in Table 4-25. This estimation is based on actual revenues and expenditures as of month end December 31, 2019, prior to year-end entries.

In 2019, the Fry-Ark Project estimated fund balance is expected to decrease $113,907 due to the December 2019 Fry-Ark contract payment.

At the time of this publication the December 2019 payment was estimated and had not been processed. The $113,907 decrease would create a year-end 2019 balance in the Fry-Ark reserve of $2,720,850.

The District is expected to experience an increase of $372,979 in general fund balance. This is a direct result of the unplanned increase in specific ownership tax and interest income. The $372,979 decrease would create a year-end 2019 balance in the District of $13,115,228.

The Enterprise estimated fund balance is forecasted to increase $402,845, due to high Project water sales and interest income.

The 20-year average for water sales is 44,263 acre-feet and the amount that was sold in 2019 was 63,000 acre-feet. The 2019 year-end estimated fund balance for the Enterprise totals $11,953,490.

The District and Enterprise have experience an healthy increase in interest income due to diversification in investment strategy by using COLOTrust. COLOTrust is a Colorado local government liquid daily demand investment pool.

The Hydroelectric Project estimated fund balance is forecasted to increase by $547,045. This is due to the high water year and energy generation for 2019.

Table 4-26 applies the 2018 audited financial fund balances, applies the 2019 estimated fund balances and then applies the 2020 Adopted Budget.

Please note that this is an estimate and the final year-end fund balance can be found in the 2019 Annual Financial Report (audit).

The District has implemented a Strategic Plan, Business Plan, and the 2019 Finance Strategy and Sustainability Study to address future reserve spending. These plans can be reviewed in the *Appendix*.

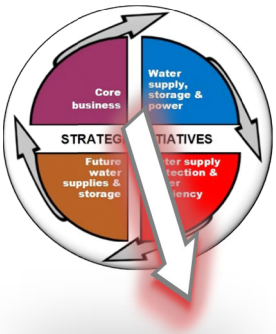
Table 4-25: 2019 Estimated Year-End - Government Wide Detail

	Government Activity		Enterprise Activity		
	Fry-Ark	District	Water Fund	Hydroelectric Fund	Government Wide Total
Operating Revenues					
Fry-Ark Activity	13,213,273	-	-	-	13,213,273
Grant Activity	-	-	-	-	-
Operating Revenues	-	2,910,101	2,120,357	2,319,956	7,350,414
Total Operating Revenues	**13,213,273**	**2,910,101**	**2,120,357**	**2,319,956**	**20,563,687**
Operating Expenditures					
Fry-Ark Activity	13,327,180	-	-	-	13,327,180
Enterprise Capital Reimbursement	-	-	-	-	-
Grant Activity	-	-	-	-	-
Operating Expense	-	2,228,109	1,710,372	824,324	4,762,805
Recurring Capital Improvement	-	309,013	7,140	948,587	1,264,740
Total Operating Expenditures	**13,327,180**	**2,537,122**	**1,717,512**	**1,772,911**	**19,354,725**
Net Total Revenue over (under) Expenditures	**(113,907)**	**372,979**	**402,845**	**547,045**	**1,208,962**

Table 4-26: Fund Balance Estimate

	Government Activity		Enterprise Activity		
	Fry-Ark	District	Water Fund	Hydroelectric Fund	Government Wide Total
2018 Audited Fund Balance	2,834,757	12,742,249	11,550,645	(2,297,566)	24,830,085
2019 Estimated Year-End Fund Balance	(113,907)	372,979	402,845	547,045	1,208,962
2019 Forcasted Year-End Fund Balance	**2,720,850**	**13,115,228**	**11,953,490**	**(1,750,521)**	**26,039,047**
2020 Adopted Budget	(767,767)	(517,235)	(1,128,845)	229,687	(2,184,160)
2020 Estimated Ending Fund Balance	**1,953,083**	**12,597,993**	**10,824,645**	**(1,520,834)**	**23,854,887**

Capital Outlay



Strategic Initiatives

During the Financial Strategy and Sustainability Study, the District separated recurring capital costs from planned capital improvement projects. A separate Capital Improvement Plan provides more details for the 10- and 20-year timeframes.

Laying a solid foundation for the future

Description: Recurring capital costs are expenditures that go outside the bounds of normal operation and maintenance of the District, but occur on a regular basis. Capital improvements are one-time expenditures for additions or upgrades.

Purpose and Need: By understanding the upcoming needs of the District, budget planning, staffing, and timing of projects or programs will be better understood.

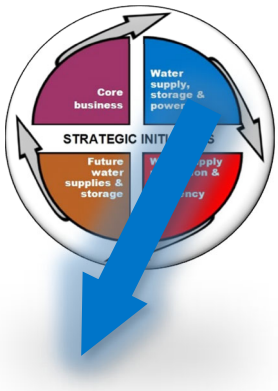
Operating Impact: Coordinated communication between the Engineering and Finance Departments, working with Reclamation is needed.

Environmental Impact: Maintaining District and Fryingpan-Arkansas Project infrastructure, programs and projects is key to efficient operations.

Social Impact: Careful capital budget planning reduces the need for large, unexpected rate variations.

Capital Needs Budget	2019	2020	2021	2022
District Recurring Capital	$726,824	$740,000	$583,000	$403,000
District Capital Projects	0	0	0	0
Fry-Ark Recurring Capital	$8,358,952	$7,596,189	$9,941,597	$1,954,906
Fry-Ark Capital Projects	0	0	0	0
Enterprise Recurring Capital	$25,000	$351,000	$360,000	$435,000
Enterprise Capital Projects	0	$1,050,000	$200,000	$200,000
Hydro Recurring Capital	0	0	0	$20,000
Hydro Capital Projects	$1,755,824	0	0	0

Fryingpan-Arkansas Project: Miscellaneous Revenues



Water Supply , storage and Power

Public Law 111-11, passed and signed in 2009, allows miscellaneous revenues from the Fryingpan-Arkansas Project to fund Project features. The remaining debt on the South Outlet Works at Pueblo Dam and Ruedi Reservoir have been paid off. The Fountain Valley Authority debt will be repaid in 2021, freeing up revenues for the Arkansas Valley Conduit in 2022.


Lake Pueblo in Winter/Sam Ebersole

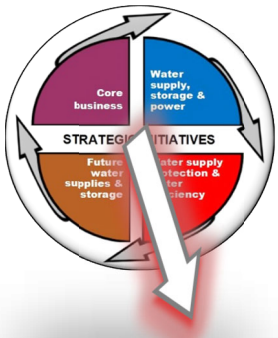
Description: Miscellaneous revenues for the Fryingpan-Arkansas Project are collected by the Bureau of Reclamation, primarily from storage accounts in Pueblo Reservoir. These include long-term excess capacity contracts, as well as annual contracts with entities both within and outside the District.

Purpose and Need: Revenues from these contracts allows the Bureau of Reclamation to pay for Fryingpan-Arkansas Project features, including the Arkansas Valley Conduit.

Operating Impact: The Finance Department works with the Bureau of Reclamation to reconcile payments annually. Reclamation will decide how miscellaneous revenues are applied, since they can be used both for construction and repayment of debt on the Arkansas Valley Conduit.

Miscellaneous Revenues	2019	2020	2021	2022
Bureau of Reclamation collections (est.)	$3,095,490	$3,240,802	$3,415,921	$3,504,063

Financial Policies



Strategic Initiatives

During discussions with the Board and Executive Committee in 2017, it was determined that water rates do not reflect the true cost of doing business in the District. Financial Strategy and Sustainability Study is expected to more closely align revenues and expenses for the District and Enterprise. The District also adopted practices, based on the Study's recommendation. Previously, the District had an investment policy, as well as guidelines and procedures, which are listed in the accompanying table.

Rate-Setting Policy

Water rates are set to recover costs, on a long-term basis, net of other revenue sources for the Southeastern Colorado Water Activity Enterprise (SECWAE).

SECWAE will review rates, at least, annually as part of the long-term planning process.

A cost-of-service study will be performed every three years, or as necessary, to forecast the revenue requirement. The cost-of-service study is based on a 10-year planning horizon, called the Forecast Period. Rates are set for one year only, called the Firm Year. The second and third years are Advisory Years and align with the District's three-year Business Plan.

Costs shall be allocated to two customer groups: Municipal and Irrigation customer groups.

Rates, under general circumstances, should only be set following public announcement and an adequate provision of time for public comment.

The Board retains its authority permitted under water delivery contracts to adjust rates, as deemed necessary, if rates prove inadequate to cover cost.

Debt Management Policy

This policy is a guide to the Southeastern Colorado Water Conservancy District (SECWCD) and its Activity Enterprise (SECWAE) for the issuance and use of debt to fund capital projects or to refund/refinance/restructure outstanding debt. SECWCD and SECWAE will ensure compliance with all laws, legal agreements, contracts, best practices, and adopted policies related to debt issuance and management.

SECWCD and SECWAE will promote cooperation and coordination with all stakeholders in the financing and delivery of services by seeking the lowest cost of capital reasonably available and minimizing financing costs for capital projects and other debt issuances.

SECWCD's and SECWAE's Board is responsible for authorizing all debt issuance via a Board resolution. The Board is also responsible for approving the Debt Policy and any material changes to it. SECWCD and SECWAE Board members and staff, District officials, and outside advisors are critical in the debt issuance process.

Other Policies, Practices and Guidelines

Policies	Practices	Guidelines	
Investment	Rate Setting	Accounting	Financial Reporting
	Debt Management	Auditing	Internal Control
	Unrestricted Reserves	Budgeting	Records Management
	Capital Planning	Cash Management	Other Issues

Financial Policies

Unrestricted Reserves

The Southeastern Colorado Water Conservancy District (SECWCD) and its Water Activity Enterprise (SECWAE) have established Unrestricted Reserve funds for: (i) operations and maintenance activities in years of below average income due to drought or other events or contingencies, (ii) major infrastructure or equipment failures, (iii) extraordinary expenses associated with major maintenance and rehabilitation projects, and (iv) new capital projects and programs.

Reserve Category	Purpose	Target Funding Level
Cash Reserve	Working cash sufficient to fund cash-flow variations in a typical operating cycle.	(To be determined)
Operating Reserve	Covers potential interruptions in District Operations and District Enterprise Fund revenue streams; and may be used to smooth and stabilize water rates over the short term.	(To be determined)
Capital Reserve	Funds capital repair, replacement, or betterment of SECWCD properties; funds other capital activities that may be undertaken by SECWCD.	(To be determined)
Exposure Reserve	Covers extraordinary, unforeseen events not otherwise covered by reserves or insurance.	(To be determined)

Reserve policies are to be established and accomplished in accordance with statutory and contractual requirements. This policy does not modify or supersede requirements to maintain certain levels of restricted reserves as specified within various existing and future agreements, including but not limited to Amendment No. 11 to Contract No. 5-07-70-W0086, Between the United States of America and the Southeastern Colorado Water Conservancy District, Fryingpan-Arkansas Project, Colorado, as it may be amended, supplemented or converted. The Board has the discretion to change funding priorities.

The SECWCD and SECWAE Board will establish funding targets and priorities of Unrestricted Reserves, and will adjust periodically as necessary.

The Executive Director is authorized to commit and expend reserve funds as necessary in his/her judgment to protect life and property, provided that as soon as practicable, the Executive Director shall notify the Board of such action and obtain Board approval for such commitment and expenditure in a timely manner.

Capital Planning

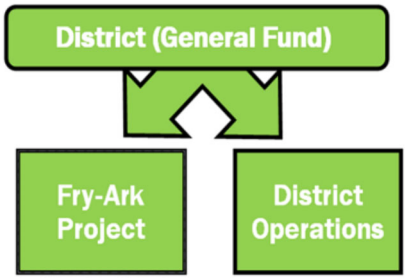
The Southeastern Colorado Water Conservancy District (SECWCD) Capital Improvement Program (CIP) is a 20-year capital investment plan that encompasses all annual capital expenditures on individual capital projects—generally nonrecurring investments in new or existing infrastructure, including new construction, expansion, renovation, or replacement projects, with a useful life of at least 10 years.

This policy applies to the SECWCD and its Water Activity Enterprise.

The Executive Director, in consultation with the Board President, will be responsible for development of the CIP. The Finance Committee, a standing committee of the Board, will review the CIP annually and forward it to the Board for approval

The CIP presents the 20-year rolling plan for capital allocation and prioritization. The CIP will be updated and published each year. Capital projects will be required to identify benefits to justify the requested capital investment.

3-Year Budget Projections



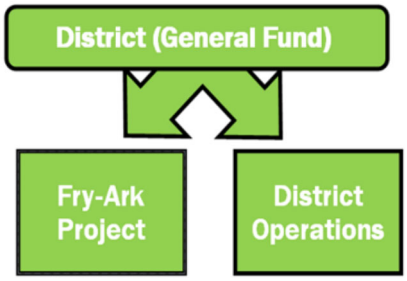
Southeastern Colorado Water Conservancy District
2020 Business Plan
Government Activity (Fry-Ark & District Fund)

Statement of Revenues and Expenditures

(In Whole Numbers)

		2020 Adopted Budget	2021 Estimated Budget	2022 Estimated Budget
Fry-Ark Project Revenue				
Tax Collections				
Contract Mill Levy Collections	4510	8,218,775	8,470,875	8,725,001
Abatement and Refund of Tax Collections	4530	86,010	88,649	91,308
Prior Year Tax	4540	(12,050)	(12,411)	(12,784)
County Collection Fees	6340	(147,629)	(150,582)	(153,593)
Total Tax Collections		8,145,106	8,396,531	8,649,932
Fountain Valley Authority				
Fountain Valley Authority	4340	5,365,000	1,000,000	0
Total Fountain Valley Authority		5,365,000	1,000,000	0
Winter Water Storage				
Winter Water Storage	4330	117,600	117,600	117,600
Total Winter Water Storage		117,600	117,600	117,600
Excess Capacity Master Contract				
Excess Capacity Master Contract	4360	277,662	282,659	287,722
Total Excess Capacity Master Contract		277,662	282,659	287,722
Collection of RRA Fees				
RRA Fee Reimbursement	4135	22,036	2,000	2,000
Total Collection of RRA Fees		22,036	2,000	2,000
Total Fry-Ark Project Revenue		13,927,404	9,798,790	9,057,254
Fry-Ark Project Expenditures				
Contract Payments				
Fry-Ark Debt Payment	5010	1,467,572	1,467,572	1,467,572
Fry-Ark OM&R Charges	5060	8,774,109	5,944,398	1,980,677
Fry-Ark OM&R Credits	5061	(1,579,340)	(1,069,992)	(356,522)
Total Contract Payments		8,662,341	6,341,978	3,091,727
Fountain Valley Authority				
Payment - Fountain Valley Authority	5040	5,365,000	1,000,000	0
Total Fountain Valley Authority		5,365,000	1,000,000	0
Winter Water Storage				
Payment - Winter Water Storage - USBR	5030	117,600	117,600	117,600
Total Winter Water Storage		117,600	117,600	117,600
Excess Capacity Master Contract				
Payment - Excess Capacity Master Contract - USBR	5065	277,662	282,659	287,722
Total Excess Capacity Master Contract		277,662	282,659	287,722
RRA Fees				
Reclamation Reform Act Audit	6025	22,036	2,000	2,000
Total RRA Fees		22,036	2,000	2,000
Total Fry-Ark Project Expenditures		14,444,639	7,744,237	3,499,049
Total Fry-Ark Revenues Over (Under) Expenditures		(517,235)	2,054,553	5,558,205
Grant Revenue				
State				
Grant Revenue - Contingency	4170	300,000	300,000	300,000
Total State		300,000	300,000	300,000
Total Grant Revenue		300,000	300,000	300,000
Grant Expenditures				
Expenditures				
Contingency - Grants	7260	300,000	300,000	300,000
Total Expenditures		300,000	300,000	300,000

3-Year Budget Projections



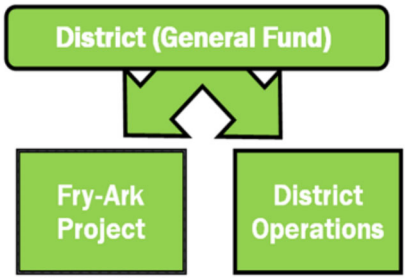
Southeastern Colorado Water Conservancy District
2020 Business Plan
Government Activity (Fry-Ark & District Fund)

Statement of Revenues and Expenditures

(In Whole Numbers)

		2020 Adopted Budget	2021 Estimated Budget	2022 Estimated Budget
Total Grant Expenditures		300,000	300,000	300,000
Total Grant Revenues Over (Under) Expenditures		0	0	0
Operating Revenue				
Tax Revenue for Operations				
Specific Ownership Tax Collections	4420	743,578	765,885	788,862
Operating Tax Revenue	4520	315,372	325,045	334,797
Total Tax Revenue for Operations		1,058,950	1,090,930	1,123,659
Interfund Reimbursements				
Enterprise Admin Reimbursement	4440	1,490,923	1,549,246	1,580,326
Total Interfund Reimbursements		1,490,923	1,549,246	1,580,326
Investment Revenue				
Interest Income	4040	59,525	60,418	61,324
Interest on Bonds	4042	154,010	156,320	158,665
Total Investment Revenue		213,535	216,738	219,989
Other Operating Revenue				
Room Rental and Services	4460	100	100	100
Xeriscape Tour and Garden Shows	4470	900	900	900
Total Other Operating Revenue		1,000	1,000	1,000
Total Operating Revenue		2,764,408	2,857,914	2,924,974
Operating Expenditures				
Human Resources				
Staff Payroll	5110	1,159,989	1,217,989	1,242,349
Incentive/Performance Capacity	5120	22,250	23,363	23,830
Directors Payroll	5140	36,000	36,000	36,000
Payroll Taxes	5210	84,932	89,179	90,962
HSA Contributions	5220	38,313	40,229	41,033
401 Retirement Contribution	5230	112,063	117,666	120,019
457 Retirement Contribution	5235	69,248	74,095	80,023
Health Insurance	5250	146,841	154,183	157,267
Life Ins - Staff & Directors	5254	10,187	10,696	10,910
Medical Reimbursement Expense	5255	4,950	5,197	5,301
LT Disability Ins	5256	8,247	8,659	8,833
Employee Assistance Program	5258	907	952	971
Dental Insurance	5260	10,769	11,307	11,534
Vision Insurance	5265	2,016	2,117	2,159
Worker's Compensation Insurance	5270	3,844	4,036	4,117
Total Human Resources		1,710,556	1,795,668	1,835,308
Headquarter Operations				
Admin Fees for Human Resources	6015	6,681	4,682	4,775
Bank Fees	6030	1,018	1,040	1,061
Board Awards/Gifts	6040	1,055	1,078	1,100
Board Memberships/Subscriptions	6070	8,881	9,078	9,260
Board Printing	6090	546	558	569
Board Room Presentation Equipment and Maintenance	6100	2,700	2,809	2,865
Board Room Accessories	6110	316	322	329
Board/Committee Meals	6120	8,121	8,301	8,467
Building Heating/Cooling	6130	2,002	2,046	2,087
Building Other/Misc Maintenance	6140	2,637	2,696	2,750
Building Plumbing & Electrical	6150	2,373	2,426	2,474

3-Year Budget Projections



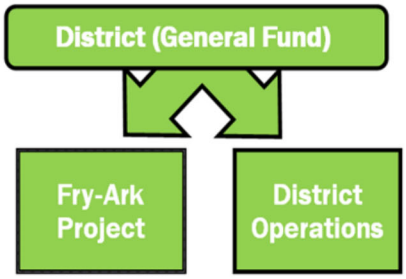
Southeastern Colorado Water Conservancy District
2020 Business Plan
Government Activity (Fry-Ark & District Fund)

Statement of Revenues and Expenditures

(In Whole Numbers)

		2020 Adopted Budget	2021 Estimated Budget	2022 Estimated Budget
Building Tools & Equipment	6160	212	216	221
Computer - General Contracts	6250	29,199	29,845	30,442
Computer - Supplies	6260	802	820	836
Computer - Hardware	6270	11,812	12,073	12,314
Computer - Software and Licenses	6280	14,505	16,226	16,550
Insurance - Automobile	6580	2,047	2,456	2,506
Insurance - Excess Liability/Umbrella	6590	3,500	3,570	3,641
Insurance - General Liability	6600	14,461	14,750	15,045
Insurance - Property & Liability	6610	6,935	7,074	7,215
Insurance - Public Official Liability	6620	1,582	1,617	1,649
Legal Notices	6630	5,090	5,202	5,306
Maintenance - Backflow Testing	6640	158	322	329
Maintenance - Fire Extinguisher	6650	126	129	131
Maintenance - Janitorial Services	6660	3,543	3,622	3,694
Maintenance - Pest Control	6670	368	376	384
Maintenance - Waste Disposal	6680	2,036	2,081	2,122
Maintenance - Security	6690	2,545	2,601	2,653
Maintenance - Snow Removal	6700	1,073	1,097	1,118
Maintenance - Window Cleaning	6710	1,160	1,186	1,210
Maintenance Facilities - Blacktop	6720	5,484	5,606	5,718
Office - Equipment (New and Maintenance)	6730	1,872	1,914	1,952
Office - Coffee/Snacks	6740	1,055	1,078	1,100
Office - Copy Machine Color	6752	9,000	9,180	9,364
Office - General/Staff Memberships	6760	8,687	8,852	8,852
Awards & Gifts - Other	6765	421	430	439
Office - Printing	6770	3,233	3,305	3,371
Office - Publications & Subscriptions	6780	890	909	927
Phone - Cell	6790	5,090	5,202	5,306
Phone - Equipment Maintenance	6800	2,545	2,601	2,653
Phone & Internet	6810	15,400	16,022	16,343
Postage & Shipping	6820	3,936	4,023	4,103
Staff Awards and Gifts	6850	739	756	771
Supplies - Janitorial	7020	527	539	549
Supplies - Office	7030	2,656	2,714	2,769
Supplies - Paper	7040	1,055	1,078	1,100
Supplies - Toner	7050	1,600	1,635	1,668
Utilities	7070	21,093	21,559	21,990
Utilities - Airport Fee	7075	1,002	1,024	1,045
Vehicle R&M - 2014 Rav4	7112	1,318	1,347	1,374
Vehicle R&M - 2017 Rav4	7114	1,318	1,347	1,374
Vehicle R&M - 2019 Highlander	7115	1,200	1,200	1,224
Web Contracts - Design & Support	7120	3,054	3,121	3,184
Web Hosting	7130	1,135	1,160	1,183
Landscape - Materials, Supplies and Plants	7170	5,115	2,662	2,715
Landscape Maintenance & Contracts	7180	7,427	7,592	7,744
Contingency - Operating	7250	50,000	50,000	50,000
Total Headquarter Operations		294,336	297,155	301,921
Meetings and Travel				
Directors - Other Travel (Tip, Fax, Parking, Tel, etc.)	6370	844	863	880
Directors Airfare	6390	5,000	4,958	5,057
Directors Hotels	6400	10,000	10,195	10,399

3-Year Budget Projections



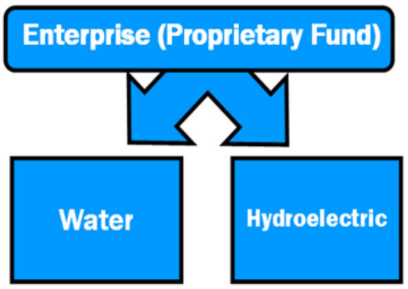
Southeastern Colorado Water Conservancy District
2020 Business Plan
Government Activity (Fry-Ark & District Fund)

Statement of Revenues and Expenditures

(In Whole Numbers)

		2020 Adopted Budget	2021 Estimated Budget	2022 Estimated Budget
Directors Meals	6410	2,600	2,393	2,441
Directors Meeting Registrations	6420	10,535	10,768	10,984
Directors Mileage Reimbursement	6430	13,711	14,014	14,294
Executive - Airfare	6480	3,868	3,954	4,033
Executive - District Vehicle Gas	6490	1,055	1,078	1,100
Executive - Hotels	6500	5,274	5,391	5,499
Executive - Meals	6510	1,055	1,078	1,100
Executive - Meeting Registrations	6520	4,500	3,485	3,555
Executive - Other Travel Expense	6530	865	884	902
Meeting Expense	6725	1,546	1,580	1,612
Meeting Meals - Non Staff Member	6727	646	660	672
Staff Travel -Airfare	6860	13,566	13,837	14,114
Staff Travel - District Vehicle Gas	6870	4,942	5,041	5,142
Staff Travel - Hotels	6880	18,595	18,967	19,346
Staff Travel - Meals	6890	4,478	4,568	4,659
Staff Travel - Registrations	6900	15,759	16,074	16,396
Staff Travel - Other Travel	6910	1,346	1,373	1,400
Staff Professional Certification /Licenses	6960	1,785	1,821	1,857
Staff Education (General Skills)	7010	23,566	24,037	24,518
Total Meetings and Travel		145,536	147,019	149,960
Outside and Professional Services				
Annual Audit	6020	50,000	52,020	53,060
Financial Consultants	6023	10,000	10,000	10,200
Consultant HR Breadbasket	6328	0	10,404	0
Consultant/Lobbying Services - Federal	6330	33,326	34,672	35,366
Colorado River Services	6350	22,000	22,889	23,347
Legal Representation	6440	330,000	343,332	350,199
Legal Expense	6445	22,000	22,889	23,347
Water Policy Management Consultants	6455	19,000	26,010	26,530
Engineering Outside Contracts	6470	3,054	3,121	3,184
Total Outside and Professional Services		489,380	525,337	525,233
Water Conservation and Education				
Xeriscape Garden Tours	6320	713	728	743
Tours & Anniversary Events	6540	12,000	12,485	25,000
Sponsorships, Exhibits & Ads	6840	6,952	7,106	7,248
ANS - Aquatic Nuisance Species Program	6845	19,750	19,750	0
Xeriscape Ed Programs & Publications	7240	2,952	3,017	3,077
Total Water Conservation and Education		42,367	43,086	36,068
Recurring Capital				
Recurring Capital - Core Business	6200	100,000	280,000	120,000
Recurring Capital-Future Water Supply & Storage	6210	340,000	210,000	100,000
Recurring Capital - Water Supply Protection & Efficiency	6211	250,000	250,000	250,000
Recurring Capital - Water Supply Storage & Power	6212	160,000	70,000	145,000
Total Recurring Capital		850,000	810,000	615,000
Total Operating Expenditures		3,532,175	3,618,265	3,463,490
Total Operations Revenues Over (Under) Expenditures		(767,767)	(760,351)	(538,516)
Total Revenues Over (Under) Expenditures		(1,285,002)	1,294,202	5,019,689

3-Year Budget Projections



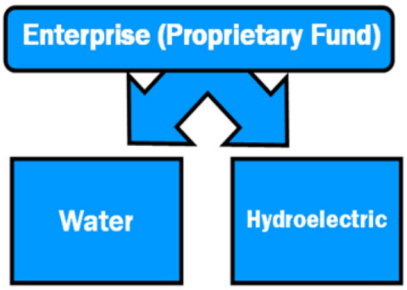
Southeastern Colorado Water Conservancy District
2020 Business Plan
Enterprise Operations (Enterprise Water Fund)

Statement of Revenues and Expenditures

(In Whole Numbers)

		2020 Adopted Budget	2021 Estimated Budget	2022 Estimated Budget
Grant Revenue				
State				
Grant Revenue - Contingency	4170	300,000	300,000	300,000
Total State		300,000	300,000	300,000
Total Grant Revenue		300,000	300,000	300,000
Grant Expenditures				
Expenditures				
Contingency - Grants	7260	300,000	300,000	300,000
Total Expenditures		300,000	300,000	300,000
Total Grant Expenditures		300,000	300,000	300,000
Total Grant Revenues Over (Under) Expenditures		0	0	0
Operating Revenue				
Water Sales, Surcharges and Fees				
Return Flow Water Sales	4010	93,708	93,708	93,708
Well Augmentation Surcharge	4030	13,593	13,593	13,593
Surcharge Revenue	4050	580,763	586,149	587,024
Storage Fees	4100	100,000	100,000	100,000
Project Water Sales	4320	581,616	581,616	581,616
Total Water Sales, Surcharges and Fees		1,369,680	1,375,066	1,375,941
Investment Revenue				
Interest Income	4040	45,218	45,896	46,584
Interest on Bonds	4042	150,204	152,457	154,744
Total Investment Revenue		195,422	198,353	201,328
Partnership Contributions				
Regional Resource Planning Payments	4205	110,000	110,000	110,000
Total Partnership Contributions		110,000	110,000	110,000
Other Operating Revenue				
Aurora IGA - Administration Fee	4090	50,000	50,000	50,000
Total Other Operating Revenue		50,000	50,000	50,000
Total Operating Revenue		1,725,102	1,733,419	1,737,269
Operating Expenditures				
Headquarter Operations				
Contingency - Operating	7250	50,000	50,000	50,000
Total Headquarter Operations		50,000	50,000	50,000
Outside and Professional Services				
Consultant/Lobbying Services - Federal	6330	40,651	42,293	43,139
Colorado River Services	6350	61,380	81,929	83,568
Legal Representation	6440	7,634	7,804	7,961
Water Policy Management Consultants	6455	26,367	26,949	27,489
Engineering Outside Contracts	6470	10,000	10,404	10,613
Transit Loss Study Expenses	6826	3,215	2,996	3,056
Research Project Support	6830	28,368	29,032	29,612
Total Outside and Professional Services		177,615	201,407	205,438
Personnel and Overhead				
Office Overhead	6762	483,898	493,576	503,447
Project Directors Allocation	6821	24,120	24,602	25,094
Project Personnel	6822	690,154	724,805	739,290
Total Personnel and Overhead		1,198,172	1,242,983	1,267,831
Partnerships				

3-Year Budget Projections



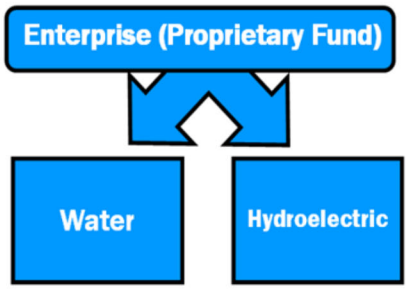
Southeastern Colorado Water Conservancy District
2020 Business Plan
Enterprise Operations (Enterprise Water Fund)

Statement of Revenues and Expenditures

(In Whole Numbers)

		2020 Adopted Budget	2021 Estimated Budget	2022 Estimated Budget
Safety of Dams - Pueblo	6170	60,000	60,000	60,000
Water Quality	7060	20,173	40,579	41,391
RRPG Project Costs	7065	135,000	135,000	135,000
Total Partnerships		215,173	235,579	236,391
Other Payments				
AVC Project Contributions	5046	20,000	20,000	20,000
Reimbursement to Other Project/Fund	5047	1,855	1,896	1,934
Total Other Payments		21,855	21,896	21,934
Recurring Capital				
Recurring Capital - Core Business	6200	325,000	300,000	300,000
Recurring Capital-Future Water Supply & Storage	6210	25,000	35,000	35,000
Total Recurring Capital		350,000	335,000	335,000
Total Operating Expenditures		2,012,815	2,086,865	2,116,594
Total Operations Revenues Over (Under) Expenditures		(287,713)	(353,446)	(379,325)
Capital Outlay and Improvements				
Capital Outlay-Future Water Supply & Storage	7910	1,050,000	200,000	200,000
Total Capital Outlay and Improvements		1,050,000	200,000	200,000
Total Revenues Over (Under) Expenditures		(1,337,713)	(553,446)	(579,325)

3-Year Budget Projections



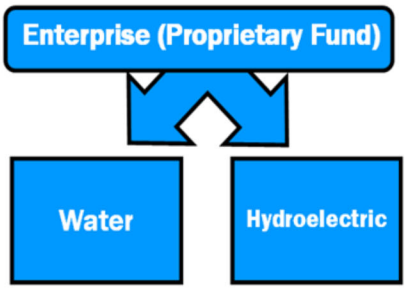
Southeastern Colorado Water Conservancy District
2020 Business Plan
Enlargement Project (Enterprise Water Fund)

Statement of Revenues and Expenditures

(In Whole Numbers)

		2020 Adopted Budget	2021 Estimated Budget	2022 Estimated Budget
Operating Revenue				
Participant Payments				
Payments - Participants	4130	85,435	86,545	88,275
Total Participant Payments		85,435	86,545	88,275
Interfund Reimbursements				
Matching Project Contribution	4140	1,855	1,896	1,934
Total Interfund Reimbursements		1,855	1,896	1,934
Total Operating Revenue		87,290	88,441	90,209
Operating Expenditures				
Meetings and Travel				
Executive - Airfare	6480	633	647	659
Executive - Hotels	6500	212	216	221
Executive - Meals	6510	106	108	110
Meeting Expense	6725	106	108	110
Meeting Meals - Non Staff Member	6727	106	108	110
Total Meetings and Travel		1,163	1,187	1,210
Personnel and Overhead				
Office Overhead	6762	3,182	3,246	3,311
Project Personnel	6822	5,668	5,951	6,070
Total Personnel and Overhead		8,850	9,197	9,381
Partnerships				
Water Quality	7060	77,277	78,057	79,618
Total Partnerships		77,277	78,057	79,618
Total Operating Expenditures		87,290	88,441	90,209
Total Operations Revenues Over (Under) Expenditures		0	0	0
Total Revenues Over (Under) Expenditures		0	0	0

3-Year Budget Projections



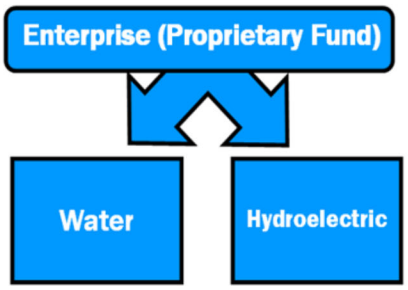
Southeastern Colorado Water Conservancy District
2020 Business Plan
Excess Capacity Master Contract (Enterprise Water Fund)

Statement of Revenues and Expenditures

(In Whole Numbers)

		2020 Adopted Budget	2021 Estimated Budget	2022 Estimated Budget
Operating Revenue				
Participant Payments				
Payments - Participants	4130	103,489	105,248	107,350
Total Participant Payments		103,489	105,248	107,350
Total Operating Revenue		103,489	105,248	107,350
Operating Expenditures				
Meetings and Travel				
Directors Mileage Reimbursement	6430	212	217	221
Executive - Hotels	6500	316	322	329
Executive - Meals	6510	316	322	329
Executive - Other Travel Expense	6530	316	322	329
Meeting Expense	6725	527	539	549
Meeting Meals - Non Staff Member	6727	527	539	549
Staff Travel - Hotels	6880	527	539	549
Staff Travel - Meals	6890	421	431	439
Total Meetings and Travel		3,162	3,231	3,294
Outside and Professional Services				
Legal Representation	6440	5,180	5,294	5,399
Water Policy Management Consultants	6455	7,634	7,803	7,959
Total Outside and Professional Services		12,814	13,097	13,358
Personnel and Overhead				
Office Overhead	6762	5,249	5,354	5,461
Project Personnel	6822	11,806	12,396	12,644
Total Personnel and Overhead		17,055	17,750	18,105
Partnerships				
Water Quality	7060	70,458	71,170	72,593
Total Partnerships		70,458	71,170	72,593
Total Operating Expenditures		103,489	105,248	107,350
Total Operations Revenues Over (Under) Expenditures		0	0	0
Total Revenues Over (Under) Expenditures		0	0	0

3-Year Budget Projections



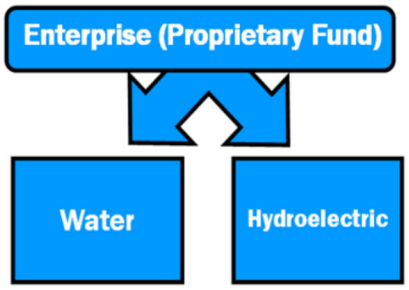
Southeastern Colorado Water Conservancy District
2020 Business Plan
Arkansas Valley Conduit (Enterprise Water Fund)

Statement of Revenues and Expenditures

(In Whole Numbers)

		2020 Adopted Budget	2021 Estimated Budget	2022 Estimated Budget
Operating Revenue				
Participant Payments				
Payments - Participants	4130	178,449	176,754	180,294
Total Participant Payments		178,449	176,754	180,294
Federal Appropriations & USBR				
Federal IPA USBR Contract	4163	166,160	174,468	177,957
Total Federal Appropriations & USBR		166,160	174,468	177,957
Total Operating Revenue		344,609	351,222	358,251
Operating Expenditures				
Headquarter Operations				
Board/Committee Meals	6120	106	108	110
Total Headquarter Operations		106	108	110
Meetings and Travel				
Directors Airfare	6390	7,602	7,761	7,917
Directors Hotels	6400	10,077	10,289	10,494
Directors Meals	6410	2,534	2,587	2,639
Directors Mileage Reimbursement	6430	1,267	1,293	1,319
Executive - Airfare	6480	3,801	3,881	3,958
Executive - Hotels	6500	5,067	5,175	5,277
Executive - Meals	6510	1,267	1,292	1,319
Executive - Other Travel Expense	6530	1,267	1,292	1,319
Meeting Expense	6725	528	539	551
Meeting Meals - Non Staff Member	6727	528	539	551
Staff Travel - District Vehicle Gas	6870	5,806	5,928	6,047
Staff Travel - Hotels	6880	1,690	1,725	1,760
Staff Travel - Meals	6890	422	430	440
Staff Travel - Other Travel	6910	212	216	221
Total Meetings and Travel		42,068	42,947	43,812
Outside and Professional Services				
Consultant/Lobbying Services - Federal	6330	36,623	38,103	38,865
Water Policy Management Consultants	6455	25,000	26,010	26,530
Engineering Outside Contracts	6470	26,368	26,950	27,489
Project Studies	6472	5,000	0	0
Total Outside and Professional Services		92,991	91,063	92,884
Water Conservation and Education				
Tours & Anniversary Events	6540	2,000	0	0
Total Water Conservation and Education		2,000	0	0
Personnel and Overhead				
Office Overhead	6762	11,570	11,801	12,037
Project Personnel	6822	186,769	196,107	200,029
Total Personnel and Overhead		198,339	207,908	212,066
Partnerships				
Water Quality	7060	9,105	9,196	9,379
Total Partnerships		9,105	9,196	9,379
Total Operating Expenditures		344,609	351,222	358,251
Total Operations Revenues Over (Under) Expenditures		0	0	0
Total Revenues Over (Under) Expenditures		0	0	0

3-Year Budget Projections



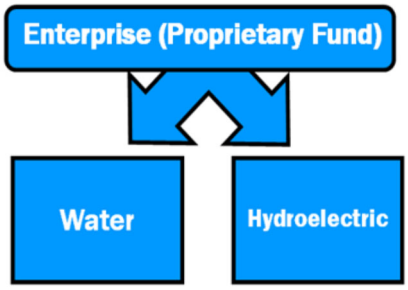
Southeastern Colorado Water Conservancy District
2020 Business Plan
Hydroelectric Power Project (Enterprise Fund)

Statement of Revenues and Expenditures

(In Whole Numbers)

		2020 Adopted Budget	2021 Estimated Budget	2022 Estimated Budget
Operating Revenue				
Investment Revenue				
Interest Income	4040	594	624	655
Total Investment Revenue		594	624	655
Hydroelectric Generation Revenue				
Hydroelectric Power Loan	4200	400,460	172,200	0
Hydroelectric Generation Revenue-CS-U	4201	593,750	607,941	622,470
Hydroelectric Generation Revenue-Fountain	4202	618,750	629,269	639,966
Hydroelectric Power Transmission	4203	70,000	71,400	72,828
Total Hydroelectric Generation Revenue		1,682,960	1,480,810	1,335,264
Total Operating Revenue		1,683,554	1,481,434	1,335,919
Operating Expenditures				
Headquarter Operations				
Building Tools & Equipment	6160	500	513	525
Insurance - Automobile	6580	400	410	420
Insurance - Excess Liability/Umbrella	6590	18,000	18,450	18,911
Insurance - General Liability	6600	15,000	15,375	15,759
Insurance - Property & Liability	6610	34,000	34,850	35,721
Phone & Internet	6810	1,866	1,913	1,960
Utilities	7070	20,600	21,115	21,643
Contingency - Operating	7250	50,000	50,000	50,000
Total Headquarter Operations		140,366	142,626	144,939
Meetings and Travel				
Executive - Airfare	6480	600	615	630
Executive - Hotels	6500	1,000	1,025	1,051
Executive - Meals	6510	200	205	210
Meeting Expense	6725	400	410	420
Meeting Meals - Non Staff Member	6727	200	205	210
Staff Travel -Airfare	6860	800	820	840
Staff Travel - District Vehicle Gas	6870	500	513	525
Staff Travel - Hotels	6880	1,200	1,230	1,261
Staff Travel - Meals	6890	200	205	210
Staff Travel - Other Travel	6910	300	308	315
Total Meetings and Travel		5,400	5,536	5,672
Outside and Professional Services				
Legal Representation	6440	5,000	5,125	5,253
Water Policy Management Consultants	6455	5,000	5,125	5,253
Engineering Outside Contracts	6470	30,000	30,750	31,519
Total Outside and Professional Services		40,000	41,000	42,025
Water Conservation and Education				
Tours & Anniversary Events	6540	5,000	0	0
Total Water Conservation and Education		5,000	0	0
Personnel and Overhead				
Office Overhead	6762	20,996	21,521	22,059
Project Personnel	6822	47,511	49,887	50,884
Total Personnel and Overhead		68,507	71,408	72,943
Debt Service				
Hydroelectric CWCB Loan Payment	7300	0	0	428,716
Hydroelectric Interest During Construction	7301	347,844	347,844	347,844
Total Debt Service		347,844	347,844	776,560
Annual Project Expense				

3-Year Budget Projections



Southeastern Colorado Water Conservancy District
2020 Business Plan
Hydroelectric Power Project (Enterprise Fund)

Statement of Revenues and Expenditures

(In Whole Numbers)

		2020 Adopted Budget	2021 Estimated Budget	2022 Estimated Budget
Energy Transmission (BH)	7302	140,000	142,800	145,656
Operations & Maintenance Operator	7310	50,000	51,250	52,531
Operations & Maint Lubrication & Rountine	7311	30,750	31,519	32,307
Operation & Maintenance (USBR & OM&R)	7312	20,000	24,286	24,893
Lease of Power Privilege-Annual Fee	7315	75,000	78,000	81,120
Scheduling & Firming	7325	41,000	42,025	43,076
Total Annual Project Expense		356,750	369,880	379,583
Recurring Capital				
Recurring Capital - Core Business	6200	0	0	20,000
Total Recurring Capital		0	0	20,000
Total Operating Expenditures		963,867	978,294	1,441,722
Total Operations Revenues Over (Under) Expenditures		719,687	503,140	(105,803)
Capital Outlay and Improvements				
Capital Improvement - Hydroelectric (CWCB)	6171	460,000	172,200	0
Capital Outlay - Core Business	7900	30,000	0	0
Total Capital Outlay and Improvements		490,000	172,200	0
Total Revenues Over (Under) Expenditures		229,687	330,940	(105,803)