

RECORD OF PROCEEDING

**SOUTHEASTERN COLORADO WATER
CONSERVANCY DISTRICT**

MINUTES

October 17, 2019

A regular meeting of the Board of Directors of the Southeastern Colorado Water Conservancy District (District) was held on Thursday, October 17, 2019 at 9:38 a.m. at the District office, 31717 United Avenue, Pueblo, Colorado.

President Long announced a quorum was present.

DIRECTORS PRESENT:

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

DIRECTOR(S) ABSENT AND EXCUSED:

None

DISTRICT OFFICIALS PRESENT:

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

VISITORS PRESENT:

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

INTRODUCTION OF VISITORS:

President Long welcomed the visitors to the meeting, and asked them to introduce themselves and identify the organization they represented.

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APPROVAL OF MINUTES:

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

FINANCE COMMITTEE REPORT:

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

CONSENT ITEMS:

None

PRESENTATIONS

PROPOSED 2020 PROJECT WATER AND STORAGE RATE HEARING

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

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

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

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

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

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

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

ACTION ITEMS:

RECOVERY OF STORAGE

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

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

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

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

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

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

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

Mr. Broderick clarified that \$200,000 has been placed in the District's Proposed 2020 Budget to begin the process.

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FINANCIAL POLICIES

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

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

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

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

The Board reviewed staff changes to the Policies and Practices at its October 9, 2019 meeting, and made further changes to the Unrestricted Reserves Policy. Specifically, the Reserve Targets were deferred and marked “To be determined” in each case. The Board requested further discussion on the appropriate fund levels of targets.

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

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

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

JACOBS CHANGE ORDER TO SURCHARGES ANALYSIS

Mr. Woodka reported the Board approved surcharges on water sales and storage in 1998, 2002, 2005 and 2014. During the Financial Strategy and Sustainability Study, some Board members questioned why the surcharges were not included in a Cost of Service Study (Study). At the October 9, 2019 meeting, the Board asked for JACOBS to complete an analysis of surcharges for 2021, but to keep them in place for the 2020 year.

The Board has used surcharges to fund specific budget needs:

- 1998 -- Safety of Dams
- 2002 – Water Activity Enterprise

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- 2005 – Well Augmentation
- 2014 – Environmental Services

Surcharges are assessed on all classes of water sales and storage, and have sometimes been assessed at varying rates depending on water class.

JACOBS did not study surcharges in the Study because previous Board action established them. Surcharges make up 37 percent of the total Enterprise revenue from water sales storage and user payments.

The District needs to assure equity while meeting costs if surcharges are rolled into the water sales and storage rate structure.

Mr. Woodka had prepared a motion, Mr. Pifher submitted a motion for consideration. Mr. Pifher moved, seconded by Mr. Colosimo, that the Financial Strategy and Sustainability contract with JACOBS be amended to include: (i) an analysis of the policy and economic basis for existing surcharges, as well as current charges for the use of Return flows, Winter water storage, and municipal carryover water, and (ii) the financial impact of the elimination or modification of such surcharges and other charges upon water sales and storage rates for 2021 and beyond. The surcharges already in place will be applied to the 2020 water rates, as they have been in previous years. Motion unanimously carried.

MONTHLY/QUARTERLY REPORTS:

U.S. BUREAU OF RECLAMATION REPORT

Roy Vaughan provided a written report reviewing the following:

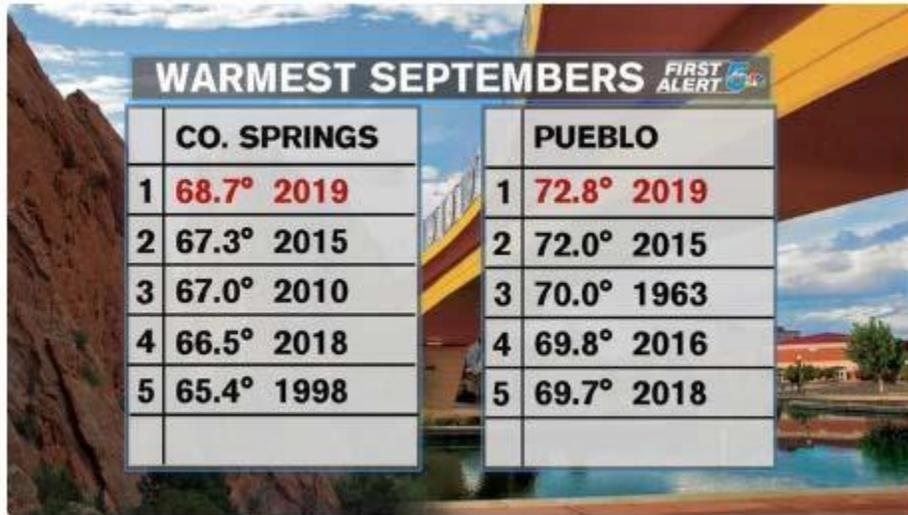
- As of October 9, 2019 there were 191,021,330 acre-feet stored in Pueblo Reservoir; 145,094 acre-feet of Project water; 40,487 acre-feet of Excess Capacity water; 16,216 acre-feet of Winter water
- There is currently 100,297 acre-feet of Project space in Pueblo Reservoir and 3,711 acre-feet of space in Turquoise and Twin Lakes Reservoirs
- Project Reservoirs: Turquoise 114%; Twin Lakes 110%; Pueblo 12%
- Total M&I Project water in the System

DIVISION ENGINEER'S REPORT

Bill Tyner provide a written report as follows:

During September 2019, our two largest cities experienced new records for average temperatures. Pueblo set a new record average temperature for September of 72.8 degrees breaking the prior record set in 2015 of 72 degrees. Colorado Springs set a new record average temperature for September of 68.7 degrees breaking the previous record of 67.3 degrees also set in 2015. For each city four out of five of the top September temperatures occurred in the last decade.

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Hot, dry conditions in the latter part of the summer caused ditches to call for a significant amount of reservoir water. Almost 20,000 acre-feet was released from Pueblo Reservoir to ditches below and over 23,000 acre-feet was released from John Martin Reservoir for Colorado ditches and Kansas during the month of September.

Available storage space should be more than adequate to accommodate the anticipated storage during the winter, including any delivery from upstream Fry- Ark Reservoirs to Pueblo Reservoir over the winter.

Discussions between the Colorado State Engineer and Kansas Chief Engineer regarding a new Colorado Account in John Martin Reservoir (via the Special Engineering Committee authorized by the Arkansas Compact Administration) continue to progress during 2019 with the next meeting scheduled for October 17, 2019. The Lower Arkansas Valley Water Conservancy District is managing a consultant contract with Deere & Ault Consultants, Inc. with Mark McLean doing the work for Phase III of the investigation of the Colorado Account.

There is some prospect of a potential Pilot Project storage agreement to be reached that would allow storage to occur during 2020; however, no agreement has yet been established for that purpose. The Pilot Project would likely only include “clean” sources such as reservoir deliveries or measured augmentation station deliveries and would not include accretions from irrigation return flows or recharge ponds. Kansas is particularly interested in any efforts Colorado is undertaking related to water quality and therefore improvements to farm irrigation systems or canal and lateral systems coupled with lease fallow operations are viewed as likely to produce a water quality benefit to Kansas that they feel would provide them some reciprocal benefit from the new account.

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Mr. Tyner provided the Arkansas River Daily Report, Ditch and Reservoirs for October 15, 2019 and Division Engineer's Monthly Report for October 17, 2019.

U.S. GEOLOGICAL SURVEY REPORT

Krystal Brown submitted a written report reviewing the following:

- Current Precipitation and Arkansas River Tributary Conditions
 - Historical Perspective Monthly Streamflow Comparison Sept. 2018-Sept. 2019
 - USGS Colorado Real-Time Precipitation Network-Beaver Creek above Highway 115 near Penrose, CO July 1-Sept 30, 2019
 - Halfmoon Creek near Malta, CO
 - Huerfano River near Boone, CO
 - Apishapa River near Fowler, CO
 - Timpas Creek at Mouth near Swink, CO
 - Wildhorse Creek above Holly, CO

INFORMATIONAL ITEMS:

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

- Water Court Resume
- 2020 Budget
- Winter Water Annual Meeting
- NWRA 88th Annual Conference
- 2019 CRWUA Annual Conference (Note change in venue)
- December Board Meeting Date

President Long announced that a Human Resources Committee meeting would be held one half hour after the conclusion of the Enterprise Board meeting.

President Long asked if there were any other matters to come before the meeting, and hearing none, adjourned the meeting at 11:25 a.m.

Respectfully submitted,

Toni Gonzales
Administrative Manager

Secretary

