

**FINANCE COMMITTEE
MINUTES
September 20, 2018**

A meeting of the Finance Committee was held on Thursday, September 20, 2018 at 8:32 a.m. at the District Office, 31717 United Avenue, Pueblo, Colorado.

Vice Chairman Karney announced a quorum was present.

COMMITTEE MEMBERS PRESENT:

Kevin Karney-Vice-Chairman, Bill Long, Seth Clayton, Greg Felt and James Broderick

COMMITTEE MEMBERS ABSENT AND EXCUSED:

Ann Nichols-Chairwoman

OTHERS PRESENT:

Leann Noga, Finance Manager SECWCD.

APPROVAL OF MINUTES:

Vice Chairman Karney confirmed that members of the Committee received their copy of the August 16, 2018 minutes and asked if there were any corrections or additions. Hearing none, Mr. Clayton moved, seconded by Mr. Felt, to approve the August 16, 2018 minutes. Motion unanimously carried.

ACTION ITEMS:

Financial Reports, Check Review & Invested Funds Report

Mrs. Noga summarized the financial statements for August 2018 revenues and expenditures, the checks written and paid in August 2018, and the invested funds report for August 2018. Vice Chairman Karney then asked for a motion to accept the financial statements, the check review and the invested funds report for August 2018. Mr. Clayton moved, seconded by Mr. Felt to accept, motion unanimously carried.

PRESENTATIONS:

Mr. Broderick introduced the Framing the Future of Finances presentation providing a background of the 2017 Framing the Future meetings that were held at the Executive Committee and Board meetings. He explained that the *Framing the Future* publication was provided as a written recap of the 2017 Framing the Future meetings held.

Mrs. Noga explained that on September 13, 2018 at the Executive Committee meeting a full presentation was given regarding the *Framing the Future of Finances* for the District and the Enterprise. Handouts also included the 2018 Strategic Plan and the full version of the presentation was provided to the Executive Committee.

Mrs. Noga went on to provide a condensed version of the *Framing the Future of Finances* presentation

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and summarized the following:

1. Description of what a fund obligation account is and what these funds can be used for.
2. Explained the Strategic framework of the fund obligation accounts.
3. Reviewed the concept of a capital improvement plan of 6 years, 12 years, and 20 years increments.
4. Reviewed accounting classification of funds and the fund obligation accounts.
5. Provided a list of District fund obligation accounts and targets, which will be reviewed annually.

District Fund Obligation Accounts	2017 Target	2018 Target
Restricted		
TABOR	\$150,000	\$150,000
Committed Funds (Board Resolution)		
Fry-Ark Repayment	\$5,000,000	\$1,500,000
Enlargement	\$2,000,000	\$2,000,000
Non-Spendable	\$1,850,000	\$2,300,000
Unassigned	\$500,000	\$500,000
Assigned Funds		
Water Supply Storage & Power		
Fry-Ark System Improvements	\$0	\$1,000,000
Cost of Service Study	\$300,000	\$300,000
Water Supply Protection & Efficiency		
Water Rights Protection & Legal Cases	\$750,000	\$750,000
Water Shed Management & Healthily Forest	\$300,000	\$300,000
Conservation	\$50,000	\$300,000
Environmental Recovery	\$600,000	\$1,000,000
Safety of Dams	\$0	\$1,560,000
Future Water Supply & Storage		
Fry-Ark Assets Evaluation	\$0	\$40,000
Fry-Ark Condition Assessment	\$1,000,000	\$150,000
Recovery of Storage	\$750,000	\$180,200,000
Interconnect on Pueblo Dam	\$0	\$16,000,000
Core Business		
Operation	\$600,000	\$300,000
Headquarters Capital Improvements	\$600,000	\$600,000
Reclamation Reform Act	\$50,000	\$25,000
Total	\$14,500,000	\$208,975,000

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6. Provided a list of Enterprise fund obligation accounts and targets, which will be reviewed annually.

Enterprise Fund Obligation Accounts	2017 Target	2018 Target
Unrestricted Accounts		
Rocky Ford Settlement Fund		
Aurora Contract Upper & Lower	\$4,000,000	\$2,000,000
Water Supply Storage & Power		
Excess Capacity Master Contract	\$300,000	\$300,000
Fountain Creek Transit Loss	\$60,000	\$60,000
Water Purchase	\$1,000,000	\$1,000,000
Project Water & Return Flow Revenue	\$3,010,000	\$3,000,000
Hydroelectric Power	\$1,000,000	\$1,500,000
Water Supply Protection & Efficiency		
Safety of Dams (2024)	\$370,820	\$370,820
Future Water Supply & Storage		
Restoration of Yield	\$1,807,500	\$1,807,500
Upper Basin Storage	\$100,000	\$100,000
Arkansas Valley Conduit	\$0	\$250,000
Core Business		
Fund Transfer	\$600,000	\$600,000
Unrestricted Fund Balance	\$500,000	\$500,000
Total	\$12,748,320	\$11,488,320

At the conclusion of the presentation Mrs. Noga explained to the Committee that staff would be bringing the following items to the Committee in the future:

- Possible Guideline and Policies Updates
- Capital Improvement Plan: 6 year, 12 year, and 20 year
- Balances in each account
- Priority System for when and how we build balances in accounts
- Financial Calendar and updates process for annual review

ADDITIONAL ACTION ITEMS:

Framing the Future of Finances: Obligation Accounts and Target Balances

Vice Chairman Karney asked for a motion to recommend to the Board of Directors the creation of assigned accounts and target amount in the District and the Enterprise as presented, with the understanding that many target amounts are estimates and will be reviewed on an annual basis. Mr. Clayton moved, seconded by Mr. Felt to accept, motion unanimously carried.

Committed Funds Resolution

Mrs. Noga reported that in 2011, resolution No. 2011-2DF was approved by the Board of Directors adopting Governmental Account Standards Board (GASB) Statement No. 54. This resolution also

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declared Committed Funds in the amount of \$5 million for the Fryingpan-Arkansas Project repayment obligation and \$2 million for the development of Enlargement Space.

As a result of the 11th Amendment of the Contract No. 5-07-70-W0086 between the United States of America and the Southeastern Colorado Water Conservancy District regarding the Fryingpan-Arkansas Project, a realignment of committed funds is necessary. The 11th Amendment of the contract amortizes the outstanding debt of Project over the remaining repayment period at zero percent interest. Annual payment to the Bureau of Reclamation has changed from nearly \$6.9 million to \$1,467,572 annually.

The District has historically reserved the amount of one annual payment as a committed fund reserve for this Fryingpan-Arkansas repayment obligation. The suggested motion and resolution will adjust the amount of the Project repayment obligation \$5 million to \$1.5 million as a direct result of the reduction in payment.

Vice Chairman Karney asked for a motion to recommend to the Board of Directors the approval of Certified Amended Resolution and Order Determining the Amount of Committed Fund Balance for Specific Purposes in the District, Mr. Clayton moved, seconded by Mr. Felt to accept, motion unanimously carried.

Appointment of 2019 Budget Officer

The first action of the Board of Directors regarding the annual budget is to appoint a Budget Officer to prepare and submit the proposed budget (Section 29-1-104, CRS). The Committee recommend to the Board of Directors to appoint the Finance Manager Leann Noga as the Budget Officer for the 2019 District and Enterprise budget preparation. Chairman Karney asked for a motion, Mr. Felt moved, seconded by Mr. Clayton to accept, motion unanimously carried.

Set Public Hearing for 2019 Proposed Budget

As a part of the annual budget process, a Public Hearing is held prior to budget adoption as required in CRS 29-1-108(1). The Committee recommends to the Board of Directors that the District and Enterprise budget Public Hearing take place November 15, 2018 at 9:45 a.m. at the Southeastern Colorado Water Conservancy District Office. Chairman Karney asked for a motion, Mr. Felt moved, seconded by Mr. Clayton to accept, motion unanimously carried.

INFORMATION ITEMS:

None

OTHER BUSINESS:

None

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NEXT MEETING:

The next Finance Committee meeting will be October 18, 2018 at 9:00 a.m.

ADJOURN:

Vice Chairman Karney adjourned the meeting at 9:24 a.m.

Respectfully submitted,

Leann Noga
Finance Manager