

RECORD OF PROCEEDING

**SOUTHEASTERN COLORADO WATER
CONSERVANCY DISTRICT**

MINUTES

November 15, 2018

A regular meeting of the Board of Directors of the Southeastern Colorado Water Conservancy District (District) was held on Thursday, November 15, 2018 at 9:37 a.m. at the District office, 31717 United Avenue, Pueblo, Colorado.

President Long announced a quorum was present.

DIRECTORS PRESENT:

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

DIRECTOR(S) ABSENT AND EXCUSED:

None

DISTRICT OFFICIALS PRESENT:

Executive Director James Broderick; General Counsel Lee Miller; Administrative Manager Toni Gonzales; Principal Engineer Kevin Meador; Water Resources Engineer Garrett Markus; Issues Management Program Coordinator Chris Woodka; Finance Manager Leann Noga; and Federal Lobbyist Christine Arbogast.

VISITORS PRESENT:

Shane Hayden, Bureau of Reclamation-Pueblo Office; Krystal Brown, U.S. Geological Survey; Curt Thompson, AECOM; Bill Tyner, Division Engineers Office; Mark Scott, GHD; Jerry Peña, GEI; Jenny Bishop, Colorado Springs Utilities; Cathy Garcia, Senator Cory Gardner's office; Kim Swearingen and Judy Leonard, Pueblo West Metropolitan District; Jim Olson and Dean Stockert, AE25 Engineering; Bob Hamilton, citizen; and Christi Tenter, CPS HR Consulting.

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 October 18, 2018 Board meeting were posted to the Board website for review, and asked if there were any corrections or additions. Hearing none, Mr. Felt moved, seconded by Mr. Hamel, to approve the minutes. Motion unanimously carried.

FINANCE COMMITTEE REPORT:

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

Ms. Nichols stated that the Finance Committee had a lengthy discussion on the impacts of Amendment 11, and in the future the numbers will be displayed in the financial statements.

CONSENT ITEMS:

None

PRESENTATIONS:

PUBLIC HEARING ON 2019 PROPOSED BUDGET

President Long convened the Public Hearing on the 2019 Proposed Budget at 9:45 a.m. The Enterprise meeting was called to order to be held in conjunction with the District meeting for the Public Hearing.

Leann Noga thanked all the staff for their part in preparing the 2019 Proposed Budget, and recognized Stephanie Shipley for her assistance in this year's process.

Leann Noga presented a PowerPoint presentation titled, *2019 Proposed Budget Public Hearing*, reviewing the following:

- Budget Process
- December 6 Action: Adoption of Budget
- Fry-Ark Contract Amendment 11
- 2018 Year End Estimates
- Overview of the District 2019 Proposed Budget
- Enterprise 2018 Year End Estimates
- Overview of the Water Fund 2019 Proposed Budget
- Overview of the Hydroelectric Power 2019 Proposed Budget
- Government Wide Presentation

President Long recessed the Enterprise meeting at 10:09 a.m.

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ACTION ITEMS:

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT INCLUSION MANUAL APPROVAL

Garrett Markus reported the Southeastern Colorado Water Conservancy District (District) Inclusion Manual is the guiding document to the statutory requirements, processes, and standardized documents for each of the three methods to get included within District boundaries.

The three methods of including lands into the District are:

1. Annexation by a town or city.
2. Petition of the property owner(s).
3. Vote of the property owner(s).

The Manual is intended to shed light on current District maps, purpose, history, Bureau of Reclamation Assent process, and the details of each of the methods of inclusion. The Manual has staff processes illustrated by flow charts and step-by-step methods for each inclusion method, legal and statutory requirements, and document templates for processing inclusions. This is the approval of the rejuvenated Manual for the Board of Directors.

Mr. Markus, Mr. Woodka, Ms. Medina, and Lee Miller worked on the manual and with Reclamation staff to come to this version. Jenny Bishop from Colorado Springs Utilities was also thanked for her assistance in the process. There will be updates when needed, which will change the version number of the document.

Mr. Mitchell said the Resource and Engineering Planning Committee recommended the Board approve the Southeastern Colorado Water Conservancy District Inclusion Manual (Manual) Approval version 1.1.

Mr. Mitchell moved, seconded by Mr. Goodwin, the Board approve the Southeastern Colorado Water Conservancy District Inclusion Manual version 1.1. Motion unanimously carried.

APPROVAL OF PROPERTY TAX REVENUE AGREEMENT WITH PUEBLO URBAN RENEWAL

Mr. Broderick reported the Pueblo Urban Renewal Authority (PURA) is seeking to provide tax increment financing for redevelopment of the EVRAZ Urban Renewal Area, located on a portion of the former CF&I mill site. Redevelopment will be for a significant manufacturing operation that is expected to bring primary manufacturing jobs to the City of Pueblo.

Pursuant to the Colorado Urban Renewal Act, PURA may issue bonds to pay for public improvements associated with the redevelopment of blighted property. Payment of the bonds may be funded by the increased ad valorem tax revenue generated by the added property value resulting from redevelopment of the property. In order to use those increased revenues, PURA must obtain waivers from the various taxing authorities of their rights to the increased revenues. The proposed Tax Revenue Agreement

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would provide those waivers for Southeastern District and the other entities that receive ad valorem taxes on the subject property.

Specifically, the proposed agreement provides for:

1. Consent to PURA issuing bonds for the project;
2. Waiver of the right to receive a report that summarizes the project, including the estimated annual tax increment to be generated by the project;
3. Waiver of the right to receive any funds to finance infrastructure and services needed to serve the development;
4. Waiver of the right to object to the plan;
5. Waiver of the right to receive notice of and to share in the incremental property tax revenues from the project for 25 years, and a pledge of the incremental property tax revenues to payment of the PURA bonds for the project;
6. Waiver of the statutory right to arbitration for any disputes over the project; and
7. Waiver of any other right or remedy that would materially interfere with the validity of the bonds or the rights of any bond holder.

The most significant term of the Agreement is the waiver of the right to receive incremental increased property tax revenues on the property for 25 years, and the pledge of those revenues to PURA for payment of the bonds. The Southeastern District will continue to receive tax revenues based on the valuation prior to the plan approval, but not on any increased value resulting from the development. There is a 25-year limit on the waiver. Moreover, if the bonds are paid off early, the Agreement terminates and the subsequent incremental revenue will be paid the taxing entities.

The rest of the waivers provide assurances that the Southeastern District will not oppose or interfere with the project and are consistent either with terms and conditions in the Act or with the purposes of the project approval. The Act does not provide taxing districts a right to receive the summary report referenced in item 2, above, so that waiver does not give up any express right. We are not aware of any services or infrastructure that the Southeastern District would provide to the project, so item 3 does not appear to be relevant. Item 4 simply confirms that the Southeastern District does not oppose the plan. Item 6 is a release of arbitration rights that relate only to certain claims that the county is allowed to raise, and therefore are irrelevant to the Southeastern District. Finally, item 7 is a waiver of rights to challenge the bonds and the bond-holder rights, which is a waiver consistent with agreement to the plan and supports marketability of the bonds.

The Act requires PURA to seek an agreement with the taxing entities regarding the allocation of tax increments to PURA to support the project. If agreement cannot be reached with any taxing authority, all of the parties have to go to mediation to determine the appropriate allocation of incremental property tax revenues.

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Mr. Clayton moved, seconded by Mr. Hamel, to authorize the Executive Director to execute a Tax Revenue Agreement with the Pueblo Urban Renewal Authority and other taxing entities to provide tax increment financing for EVRAZ Urban Renewal Project in Pueblo, Colorado. Motion unanimously carried.

MONTHLY/QUARTERLY REPORTS:

U.S. BUREAU OF RECLAMATION REPORT

Shane Hayden provided a PowerPoint presentation reviewing the following:

- As of November 12, 2018 there were 186,830 acre-feet stored in Pueblo Reservoir; 130,553 acre-feet of Project water; 45,464 acre-feet of Excess Capacity water; 8,963 acre-feet of Winter water
- There is currently 114,820 acre-feet of Project space in Pueblo Reservoir and 39,737 acre-feet of space in Turquoise and Twin Lakes Reservoirs
- Charts illustrating storage amounts in Turquoise, Pueblo, and Twin Lakes
- Total M&I Project Water in the System
- Project Reservoirs: Turquoise 92%; Twin Lakes 85%; Pueblo 137%
- Snow Water Equivalent Percent of POR Median November 13, 2018
- U.S. Drought Monitor Colorado, November 13, 2018

Mr. Hayden reported the current upper reservoir operations:

- Due to 40,000 acre-feet available, keep Project water in upper reservoirs.
- Reclamation is moving some water from Turquoise to Twin Lakes to balance storage space.
- Maintain minimum flows.
- Native flows being stored by TLCC and CSU.
- Wait for more snow.
- Winter Water Storage Program begins November 15.

DIVISION ENGINEER'S REPORT

Mr. Tyner presented a PowerPoint reviewing the following:

- Proposed New Account In John Martin Reservoir
- Background
- Phase 1 Tasks
- Interested Participants
- Storable Water
- John Martin Reservoir Content 1979-2017
- Benefits to Colorado Users
- Benefits to Kansas
- Phase 2 Tasks
- Lamar Operations Overview

