

**EXECUTIVE COMMITTEE  
MINUTES  
June 29, 2017**

A meeting of the Executive Committee was held on Thursday, June 29, 2017 at 10:00 p.m. at the Southeastern Colorado Water Conservancy District (SECWCD or District) Board Room.

Chairman Bill Long announced a quorum was present.

**COMMITTEE MEMBERS PRESENT:**

Bill Long-Chairman, Gary Bostrom-Vice Chairman, Ann Nichols, Vera Ortegon, Gib Hazard, Carl McClure, Tom Goodwin and Jim Broderick.

**OTHERS PRESENT:**

Greg Felt, Seth Clayton, Kevin Karney, Howard "Bub" Miller, and Mark Pifher, SECWCD Board; Garrett Markus, Lee Miller, Leann Noga, and Chris Woodka, SECWCD staff; Roy Vaughan, and Terry Dawson, Bureau of Reclamation (Reclamation) staff.

**APPROVAL OF MINUTES:**

None

**PRESENTATIONS:**

Jim Broderick explained that the District staff is preparing a series of educational presentations which will "Frame the Future" of the District in terms of finances, the Contract with Reclamation, and Operation, Maintenance and Replacement of the Fryingpan-Arkansas Project (Project). Mr. Broderick stressed that this meeting is meant to educate Committee and other interested Board members about the Contract with Reclamation, and encouraged Board members to put questions in writing. There will be no decisions made today.

Lee Miller, the District's General Counsel, presented a history of the Contract, explaining how the Contract has been amended since 1965, the importance of key recitals, the types of Reclamation contracts that have been used under the 1902 Reclamation Act and 1939 Reclamation Projects Act, and the renewal terms which are available to the District and Reclamation.

The Contract essentially is a water sales contract that has been modified under a concept called the "Collbran Method" to include reimbursable costs of the Project. It is a hybrid of two other types of contracts that can be converted at any time to a straight repayment contract.

Lee Miller explained how payment from ad valorem taxes, water sales, miscellaneous revenues and Winter water sales have been incorporated into the repayment under the Contract. He explained that this was done because critics of the Project never expected the District would have the ability to fully repay its allocated costs.

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As Reclamation has become more confident of the District's ability to pay, some of the revenue sources have returned to the District, which holds the water rights to all Project water. The District has always received the revenues from sales of Return Flows, and in the 9<sup>th</sup> Amendment to the Contract, received revenues from sales of Project water. Some miscellaneous revenues are being used to pay off some parts of the Project, including the South Outlet Works, Ruedi Reservoir, the Fountain Valley Conduit, and the Arkansas Valley Conduit under Public Law 111-11, but are not incorporated into the Contract.

The District's right to water was discussed. Lee Miller explained that Reclamation, under the contract, is entitled to the District's water rights, but has never asked for them. (Roy Vaughan explained there was one case where the action was nearly employed when there was a choice between spilling Winter water or importing Project water.) Terminal storage for Project water is in Pueblo Reservoir, and the delivery point is below Pueblo Reservoir.

The District and Reclamation, along with water users, have collaborated on delivery to other points, Lee Miller explained. The District and Reclamation assure that the use of the water is always in the District's best interests, not necessarily the best interest of the users. Lee Miller stressed that the ability to agree with Reclamation on other points gives the District flexibility on where water can be delivered. "We'll always do what's best for the project, not necessarily the beneficiary. Fortunately, those things usually come together," Lee Miller said.

Under the Contract, the District has first right of refusal to Project water. Once the costs of the Project are repaid, the District will have a permanent right to Project water.

We cannot sell water outside the District. Reclamation's Project is to benefit those within the boundaries of the District.

Mr. Broderick summarized the policy issues that will be addressed at a later meeting:

- A. What happens when we pay off the reimbursable portion of the Project?
- B. How do we provide for future Operation, Maintenance and Replacement or Safety of Dams costs?
- C. How do we incorporate program responsibilities into the Contract
- D. Should we more firmly vest the District with the right to Project water?
- E. Are there future risks with a renewal contract that can be mitigated no by converting the contract?

During the presentation, there were numerous questions from Board members. These, along with the answers from Mr. Broderick or Lee Miller are summarized below:

1. Please clarify why there was no interest on irrigation.
  - a. It was determined at the beginning of the process that agriculture would not have the ability to repay its share from water sales alone.
2. But why was there no interest on agriculture?

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- a. There was a history of irrigation projects that failed to pay for themselves, so the strategy chosen was to maximize revenues (to the federal government) by having agriculture help pay off the interest-bearing municipal & industrial (M&I) portion of the debt, then have M&I and power generation pay off the irrigation debt.
3. Was there no ad valorem from 1982-1998? (In response to the 1998 provision to declare 0.9 mills the Contract mill levy.)
  - a. There were mill levies in place and the 0.9-mill from the District was incorporated into the contract from the beginning, but the method of payment changed over the years. The 0.9-mill was put into contract language because it predates the 1982 Gallagher Amendment and the 1992 Taxpayer's Bill of Rights Amendment to the state Constitution. The mill levy changes will be explained in a future meeting.
4. If Winter water storage cost is \$2.80 per acre-foot, why is there a surcharge (\$1.00)?
  - a. Surcharges have been added to the cost of sales and storage contracts as a way for the Enterprise to recover some costs. These will be explained at a future meeting.
5. Are certain costs of the Project aggregate costs or annual recurring costs?
  - a. These issues will be discussed in more depth during the financial presentation in July.
6. Why does Manitou Springs get emergency deliveries of water from Colorado Springs Utilities?
  - a. Emergency water deliveries are determined to be in the best interest for the purpose of the Project
7. Please explain why a permanent right to the water supply is different than a first right to the water supply.
  - a. Under the first right, other uses such as endangered species can, and have, taken water away from other uses. A permanent right is a stronger protection for uses.
8. So Reclamation loses theirs?
  - a. Not clear. Some water users thought they had a permanent right, only to find out in court that they did not. Secretary of Interior can declare the water is needed for endangered species.
9. When we pay off the Project and renew the Contract, do we keep the revenues from the Project water?
  - a. We haven't done either and it needs to be negotiated.
10. What's the definition of "at the outlet works?" Is the point of delivery at the reservoir or actually below the reservoir?
  - a. At the downstream gauge. Roy Vaughan explained Reclamation considers releases to be from the spillway gates, North Outlet Works or South Outlet Works.
11. If you deliver to a beneficiary's account in Pueblo Reservoir, you're doing so because it's in the best interest of the District.
  - a. Yes. It's from the District's perspective, not the beneficiary.

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12. So who pays the “shrink”?
  - a. Mr. Vaughan: It can be the Project, if it’s helping the Project. There are other reasons to move water or deliver it at other points.
13. So how do people west of Pueblo get water? Do we have a policy?
  - a. The District has a 1939 exchange right, and there are other upstream exchange right. There is a mixture of exchange rights. We’re trying to get a better understanding. There are lots of things we have never had to do.
14. So Reclamation made one promise: to deliver the water to terminal storage at Pueblo Reservoir?
  - a. Yes. Generally, or at such other points as agreed on.
15. If we need to dredge Pueblo Reservoir, who pays the cost?
  - a. This needs to be negotiated. Reclamation owns the Project, we have to pay the reimbursable costs. We are contemplating a condition assessment. We tried to start it several years ago, but we decided to let Northern (Water Conservancy District) do theirs first.
  - b. “Pioneers get the arrows; settlers get the water.”
16. Who pays what portion of repairs on tunnels or water delivery?
  - a. This needs to be negotiated.
17. Is Reclamation or the District responsible?
  - a. The District is responsible for reimbursable costs.
18. Do we always have to pay the reimbursable portion?
  - a. Some costs are determined to benefit the Project, others could be single-purpose.
19. How did they come up with the proportion of costs?
  - a. Fryingpan-Arkansas Project Final Cost Allocation Report (revised 1993) will be provided to the Board later. It’s still difficult to figure out what people were thinking 50 years ago.
20. Do you mean explicitly clarifying the issue of a permanent water right?
  - a. Yes. We will discuss at a future meeting.
21. If we end up paying off Reclamation, does it change other things like Inclusion, boundaries or NEPA?
  - a. No. Reclamation still owns the Project. It is possible to address the possibilities in future contracts. We have to be careful how much we lock into place.
22. Could the District take over ownership?
  - a. Watch out what you wish for.
23. Legislation allows others to buy portion of Project. Could we?
  - a. When you buy part of Project, you assume that risk.
  - b. Mr. Vaughan: Single purpose.
  - c. Like Fountain Valley.
  - d. You would have to create O,M & R from scratch
24. Project value is \$132 million?
  - a. Value of water rights.

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25. So if Reclamation wanted them, that would be the cost?
  - a. No. that is a value assigned to them. If Reclamation asked for the water rights, it would be a negotiation of what the value of those water rights are.
26. So there are no conditions on how the water rights would be turned over?
  - a. No. That would be the subject of future negotiations. So far on any points of contention, Reclamation has called the shots.

**ACTION ITEMS:**

None

**INFORMATION ITEMS:**

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

1. PowerPoint presentation: Framing the Future: Southeastern Colorado Water Conservancy District Contract with the U.S. Bureau of Reclamation.
2. Information Report

**OTHER BUSINESS:**

None.

**NEXT MEETING**

July 20, 2017

**ADJOURN**

Chairman Bill Long adjourned the meeting at 11:45 a.m..

Respectfully submitted,

Chris Woodka  
Issues Management Program Coordinator