

ARKANSAS VALLEY CONDUIT COMMITTEE
JOINT MEETING WITH FINANCE COMMITTEE MINUTES
August 20, 2020

A joint meeting of the Arkansas Valley Conduit (AVC) and Finance Committees was held on Thursday, August 20, 2020 at 9:30 a.m. via Zoom technology.

Chairman Kevin Karney announced a quorum was present for the AVC Committee.

AVC COMMITTEE MEMBERS PRESENT:

Kevin Karney - Chairman, Howard "Bub" Miller – Vice Chairman, Dallas May, and Jim Broderick.

AVC COMMITTEE MEMBERS ABSENT AND EXCUSED:

Carl McClure

OTHERS PRESENT:

Finance Committee members: Ann Nichols – Chairwoman, Kevin Karney – Vice Chairman, Seth Clayton, Pat Edelmann, Greg Felt, and Jim Broderick.

Bill Long, Alan Hamel, Mark Pifher and Andy Colosimo, SECWCD Board Members; Kevin Meador, Lee Miller, Leann Noga, Garrett Markus and Chris Woodka, Stephanie Shipley, Margie Medina, and Patty Rivas, SECWCD staff; Christine Arbogast, Kogvosek & Associates; and Steve Leonhardt, Burns Figa & Will.

APPROVAL OF MINUTES:

None

PRESENTATIONS:

Avondale Inclusion in AVC:

Chris Woodka reported that the Avondale Water and Sanitation District Board of Directors voted in July to rejoin the AVC. Avondale owes \$26,171.31 for its share of payments dating back to May 2011 to June 2020. Avondale has agreed to make this payment, and other quarterly charges that accrue, by December 31, 2020. Attorneys are finalizing the agreement, which will be brought to the AVC Committee and the Board for final approval.

AVC Financial Discussion:

Kevin Meador discussed current status of the AVC project, including how the project will be laid out, the team relationship between the Bureau of Reclamation and Enterprise staff, and the funding structure. He said Lee Miller will discuss the use of funds from the 2003 Aurora settlement to help fund AVC in the second half of the discussion.

The new concept of the AVC project is planned to use capacity in Pueblo Water's system rather than building a new pipeline around Pueblo. A Value Planning study estimated the total project cost of AVC will be \$564-\$610 million (2019 dollars) and will be completed by 2035, based on

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Reclamation funding levels. Reclamation will build the trunk line, while the Enterprise will build the spurs and delivery lines. District costs for the spurs and delivery lines is estimated at \$123-\$134 million (2019 dollars) of the total project costs.

The Project Management Plan defines how Reclamation and the Enterprise will work together. It includes:

- A three-way contract among Reclamation, the Enterprise and Pueblo Water for capacity in the system.
- Engineering and construction responsibilities.
- Communication guidelines.
- Financing responsibilities.

The organizational chart was reviewed, including positions not yet filled that are now needed, as well as future positions that will be needed to design, build and implement the AVC.

Mr. Meador went over sources of funding, including Reclamation's financing of the trunk line, Enterprise support of the AVC project, and other sources of funding for construction of delivery lines and spurs.

Mr. Meador detailed costs of the 3-way contract with Pueblo, and each portion of the AVC delivery lines and spurs that will be the Enterprise's responsibility.

Ms. Nichols asked about the \$25-\$35 million cost to Pueblo and how that would be paid in "credits."

Lee Miller explained that the fee represents a "service connection" to Pueblo Water, and negotiations are in the technical discussion phase. Three elements have to be addressed: 1) the cost of service to deliver water; 2) future operations, maintenance and replacement; and 3) the use of miscellaneous revenues from the Fryingpan-Arkansas Project to pay and repay AVC costs.

Ms. Nichols asked if the payment covers actual construction or is it a "development fee?"

Lee Miller and Jim Broderick confirmed that this is what utilities would call a development fee, and does not represent new construction at this time.

Ms. Nichols also asked about the Fry-Ark storage credit.

Mr. Broderick said the storage credit was similar to the Southern Delivery System credit to Colorado Springs for construction reimbursement for the North Outlet Works. The idea would be to pay Pueblo Water with a storage credit against the "development fee."

Dallas May asked if land acquisition costs are covered in the amounts shown for each section of the AVC project. He also asked if Reclamation or the Enterprise is responsible for land acquisition. Would eminent domain be used?

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Mr. Meador explained land acquisition costs are included in the overall cost. Reclamation would cover the trunk line costs, while the Enterprise would pay for spurs and delivery lines. Most of the lines are in the public right-of-way, so land acquisition costs will mainly be for construction easements as needed. Eminent domain would only be used as a last resort.

Lee Miller explained the background of the 2003 intergovernmental agreement (IGA) between the District and Aurora, and what funds were intended to help pay for the AVC. Aurora had purchased the second half of the Rocky Ford Ditch, and the IGA was signed to settle issues between the District and Aurora over the purchase. He noted that members of the 2003 negotiating team included Alan Hamel, Bill Long, Jim Broderick, and Steve Leonhardt, all of whom were on the call for today's meeting.

Some of the funds have restrictions, while others do not. Some of the restricted funds have already been spent for the purposes for which they were intended. Others have been invested and have not been spent to date. Of the \$7,633,089 in the Aurora fund, \$4.8 million is available for the AVC.

The \$4.8 million includes:

- \$1 million approved in 2001 as part of a 2001 IGA that was not fully implemented.
- \$1 million designated for east of Pueblo for AVC storage
- \$2.8 million in undesignated funds intended for the "area of origin" for water supplies purchased by Aurora.

Another \$3 million may be available in 2028, from a \$4 million payment that is due from Aurora. \$1 million of the payment is designated for storage projects by the Upper Arkansas Water Conservancy District

Following the presentation, Ms. Nichols asked for clarification of some of the past accounting for payments, and staff responded that this will be investigated and clarified. She asked why the proportional share of interest on the \$4.8 million was not shown.

Mr. Miller said the purpose of the presentation was merely to explain the legal basis for the principal available for AVC.

Greg Felt wanted to clarify why a \$4 million payment is due from Aurora in 2028.

Mr. Miller said the payment is a result of the length of contract. In 2003, it was uncertain whether Reclamation would limit an Aurora contract to store water in Pueblo Reservoir to 25 years, rather than 40 years. The \$4 million in 2028 covers the additional 15 years in the Aurora contract that was finally signed.

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ACTION ITEM:

Mr. Miller said the presentation for the Action item was covered during presentations. The action requested was to recommend the Enterprise Board restrict the use of \$4.8 million of the Enterprise fund balance to the Arkansas Valley Conduit.

Dallas May made the following motion, seconded by Howard “Bub” Miller:

“I move that the Arkansas Valley Conduit Committee recommend the Southeastern Colorado Water Activity Enterprise Board of Directors resolve to restrict \$4.8 million of the Enterprise fund balance, reflecting an amount of payments from the 2003 Intergovernmental Agreement with Aurora previously received that were intended for use in the area of origin, the lower Arkansas River Basin within the Southeastern Colorado Water Conservancy District, to fund current and future costs associated with the design, construction, and implementation of the Arkansas Valley Conduit.”

Motion passed unanimously.

Bill Long thanked both committees for taking a good step forward.

Ann Nichols agreed that this is a good step.

Kevin Karney thanked staff and the team that has been working on AVC.

INFORMATION ITEMS:

None

OTHER BUSINESS:

None

NEXT MEETING

Not determined

ADJOURN

Chairman Karney adjourned the meeting at 10:53 a.m.

Respectfully submitted,

Chris Woodka,
Senior Policy and Issues Manager