

RECORD OF PROCEEDING

**SOUTHEASTERN COLORADO WATER
ACTIVITY ENTERPRISE**

MINUTES

November 21, 2019

A regular meeting of the Board of Directors of the Southeastern Colorado Water Activity Enterprise (Enterprise) was held on Thursday, November 21, 2019 at 9:44 a.m. at the District office, 31717 United Avenue, Pueblo, Colorado. The meeting was recessed at 10:23 a.m. and reconvened at 11:46 a.m.

President Long announced a quorum was present.

DIRECTORS PRESENT:

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

DIRECTOR(S) ABSENT AND EXCUSED:

None

ENTERPRISE OFFICIALS PRESENT:

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

VISITORS PRESENT:

Andy Klakulak, U.S. Geological Survey; Curt Thompson, AECOM; Bill Tyner, Division Engineers Office; Earl Wilkinson and Abby Ortega, Colorado Springs Utilities; Jim Quam and Judy Leonard, Pueblo West Metropolitan District; Ryan Bouton, PhD student; George Hanzas, Catlin Canal; Rick Kienitz, Aurora Water; Roy Heald, Security Water District and Fountain Valley Authority, Doug Fitzgerald, Representative Scott Tipton's office; Brandon Bernard, Fountain Valley Authority; and Steve Howell, Kleinfelder

APPROVAL OF MINUTES:

President Long said the minutes of the October 9 and October 17, 2019 Board meetings were posted to the Board website for review, and asked if there were any corrections or additions. Mr. Edelmann stated on page 4 of the October 17, 2019 minutes in the fifth paragraph the amount of \$20,000 should be

RECORD OF PROCEEDING

\$200,000. With the correction stated, Mr. Pifher moved, seconded by Mr. Garcia, to approve the minutes. Motion unanimously carried.

FINANCE COMMITTEE REPORT:

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

CONSENT ITEMS:

None

PRESENTATIONS:

PUBLIC HEARING ON 2020 PROPOSED BUDGET

President Long convened the Public Hearing on the 2020 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 2020 Proposed Budget.

Leann Noga presented a PowerPoint presentation titled, *2020 Proposed Budget Public Hearing*, reviewing the following:

- Budget and Rate Setting Process
- Finance Strategy and Sustainability Study
- 2020 Test Year Compared to 2020 Proposed Budget
- Ad Valorem Tax Revenues
- 2019 Mill Levy Tax Revenues
- 2019-2020 County Assessed Value
- 2020 Tax Revenue and Temporary Mill Levy Rate Reduction
- Fry-Ark Project 2019 Year-End Estimates
- Fry-Ark 2020 Proposed Budget
- District 2019 Year-End Estimates
- District 2020 Proposed Budget
- Water Fund 2019 Year-End Estimates
- Water Fund 2020 Proposed Budget
- Hydroelectric Power Year-End Estimates
- Hydroelectric Power 2020 Proposed Budget
- 2020 Budget Government-Wide Presentation
- Fund Balance

RECORD OF PROCEEDING

ACTION ITEMS:

WATER AND STORAGE RATE APPROVAL

President Long stated that the Board has a unanimous agreement of the necessity to increase revenues for the District. The policy issues need to be resolved and conversations need to be had to create policies related to Project water carryover rates, Winter water fees, and split rates structure between ag and municipal entities.

After having several discussions with Board members, President Long presented an alternative to the three options JACOBS has proposed. President Long proposed that ag and municipal entities pay \$13.14 an acre-foot for Project water and the rate for Return Flow be \$12.00 an acre-foot. The current surcharges would remain the same.

Mr. Mitchell moved, seconded by Mr. Hamel,

- The rate for Project water would be \$13.14 per acre-foot,
- The rate for Return Flows per acre-foot would be \$12.00,
- The current surcharges will remain the same,
- Begin work in January 2020 on further policies for Project water carryover water charges; Winter water charges; Return Flow charges; and split rates for M&I and agriculture, and
- There may be a possibility of making a mid-year rate adjustment not to exceed JACOBS study Option 1.

Motion unanimously carried.

President Long said that the monthly/quarterly reports will continue to be written reports so that the Board can concentrate on the policies for Project water carryover water fees; Winter water fees; and split rates for ag and municipalities.

AGRICULTURAL OFF SEASON STORAGE FOR PROJECT WATER

Garrett Markus reported the 80/20 Rule requires that agricultural entities receiving an allocation of Fryingpan-Arkansas Project water (Project water) must use at least 80 percent of their allocation by November 15 of the year allocated and the remaining 20 percent must be used by May 1 of the following year. The Rule was formally adopted by the District Board as an amendment to the Allocation Policy on January 15, 1998 for the purpose of the Safety of Dams restrictions.

Water year 2019 started off with high snow pack and elevated river conditions of a typical wet spring. However, late summer and fall were hot and dry with very little precipitation making for a rollercoaster of a year for water storage and projections. When all is said and done, the content levels in Pueblo Reservoir are 121 percent of average with 14,000 acre-feet (AF) to 42,000 AF at risk for spill next spring with typical reservoir operations. In the past the District has enacted the 80/20 Rule to limit large amounts of agricultural Project water stored during the winter months when space is needed for the Winter Water Storage Program and Project water deliveries from the upper reservoirs. Ag stakeholders have planned on a 20 percent carryover enforcement and most entities have already executed plans to meet the current conditions of the 80/20 Rule for the 2019 Project water allocation year. Staff

RECORD OF PROCEEDING

recommends to enact the Agricultural 80/20 Rule for the 2019 Project water year. The Board was provided information showing the ag Project water storage amounts in relation to the 80/20 Rule.

Mr. McClure moved, seconded by Mr. Hamel, the District Board of Directors enact the Agricultural 80/20 Rule for Project water storage for the 2019-2020 agricultural off season. Motion unanimously carried.

Mr. Markus said the entities will be notified of the decision of the Board to enact the ag 80/20 Rule for the 2019-20 timeframe.

PRESENTATIONS (CONTINUED)

FEDERAL LEGISLATION UPDATE

Christine Arbogast reported efforts to advance the Arkansas Valley Conduit (AVC) continue and significant steps have been made, focus is on funding.

At the federal level, the appropriations process is as usual not complete. This week, Congress is hoping to extend the continuing resolution (CR) until December 20, 2019. The first group of bills has been passed by both Houses and informal negotiations to iron out differences are underway. The energy and water bill, where AVC funding is housed, is hoped to be in the next group. However, that next grouping of bills will not go to the Senate floor until budget caps are agreed to. There is expectation that the CR may actually be extended into next year. That might affect the timing of the release of the FY '21 budget, scheduled for the first week in February.

As you know from previous discussions, federal funding is tied to an OMB demand for non-federal funding. To that end, Ms. Arbogast announced major good news. Yesterday evening, the Colorado Water Conservation Board (CWCB) unanimously and enthusiastically approved the District's request for a \$100 million funding package, a combination of grant and loan.

Ms. Arbogast has communicated that move to our delegation and to the Bureau of Reclamation. Senator Gardner's office will convey that to OMB, which is a great follow up to Cory's meeting with the acting director of OMB last week. Regarding OMB, it was reported that the young man who was our examiner, and who has been a problem for us at OMB, has been reassigned to a new agency and is no longer examiner for Reclamation.

Further, Congressman Tipton has already spoken to Secretary Bernhardt with this good news.

We certainly hope that this action will improve our odds for obtaining plus up money for FY '20, and to get in to the Administration's FY '21 budget.

Ms. Arbogast expressed appreciation for the CWCB's support, particularly the staff's assistance. The financing package will now go in the CWCB annual project's bill, which historically is received favorably by the legislature. We are also working with the Governor's office.

RECORD OF PROCEEDING

Ms. Arbogast recognized the hard work of the AVC team in preparing the package request, and to the presenting team which included Alan Hamel, former CWCB board member, President Bill Long and three of our provider managers, who offered compelling statements.

Both Ms. Arbogast and Mr. Hamel reported that they had never seen such an emotional meeting as the CWCB meeting held November 20, 2019, with everyone's support of the AVC. The Water and Power Authority has offered assistance to the communities along the AVC path.

We will continue to work this finance package into further discussions with Reclamation as we try to move forward and get to construction.

Aside from the AVC, the District staff and Ms. Arbogast are working with the Senate Energy and Natural Resources of two bills: one supports O&M for Reclamation projects and the other, S. 1932, is a bipartisan bill sponsored by Senator Gardner and addresses authorities for small projects, expands WaterSMART and employs other tools to address drought and water resource needs in the West.

INFORMATION ITEMS:

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

- James W. Broderick Hydropower Plant Update
- AVC and Excess Capacity Master Contract Update

OTHER BUSINESS MATTERS:

President Long noted the Colorado River and Water Supply Committee will meet at 12:15 today.

President Long asked if there were any other matters to come before the meeting, and hearing none, adjourned the meeting at 11:45 a.m.

Respectfully submitted,

Toni Gonzales
Administrative Manager

Secretary

