

ARKANSAS VALLEY CONDUIT COMMITTEE
MINUTES
August 19, 2024

A meeting of the Arkansas Valley Conduit (AVC) Committee was held at 1:01 p.m. August 19, 2024, at District offices and via electronic and telephonic means.

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

AVC COMMITTEE MEMBERS PRESENT:

Kevin Karney – Chairman, Howard “Bub” Miller – Vice Chairman, Matt Heimerich (via Zoom), Dallas May (via Zoom), Justin Di Santi, Bill Long and Leann Noga

AVC COMMITTEE MEMBERS ABSENT AND EXCUSED:

None.

OTHERS PRESENT:

Seth Clayton (via Zoom), Pat Edelmann, Mark Pifher (via Zoom), Ann Nichols (via Zoom), SECWCD Board members; Christine Arbogast, Kogovsek & Associates (via Zoom); Derek Mickle, Bureau of Reclamation (USBR) (via Zoom); Curtis Thompson, AECOM (via Zoom); Michael Weber, Hazen & Sawyer LLC (via Zoom); Greg Sekera, Kennedy Jenks (via Zoom); Christopher Olney, Colorado Springs Utilities (via Zoom); Kevin Meador, Gordon Dillon, Chris Woodka, Garrett Markus, Lee Miller, Margie Medina, Stephanie Shipley (via Zoom), Peter Levish (via Zoom) and Patty Rivas (via Zoom), SECWCD staff.

APPROVAL OF MINUTES:

Howard “Bub” Miller moved, and Bill Long seconded approval of the September 19, 2023, AVC Committee meeting minutes. Motion passed unanimously.

PRESENTATIONS:

The presentation “Arkansas Valley Conduit: Moving Ahead” was introduced by Leann Noga, who said the format would be a discussion with staff contributing.

Mrs. Noga said the aim of the presentation is to update the Committee on the AVC, since the Committee has not met for a while, and in light of the recent Cost Estimate Update. In July, the Enterprise Board heard a presentation about AVC, and was told more details would be discussed in Committee. The Committee also should have a regular meeting date.

In light of the Cost Estimate Update, the Southeastern Colorado Water Activity Enterprise (Enterprise) is seeking a legislative correction to the repayment of AVC, and the Enterprise Board approved a letter to the congressional delegation at its August 15, 2024 meeting to extend the repayment period, remove interest payments and limit the repayment obligation to the funds available from miscellaneous revenues, Mrs. Noga said.

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In June 2024, the Enterprise paused design on delivery lines until a complete review of funding can be made.

In each AVC meeting moving forward, the Committee will look at the Enterprise Sub-Project, the Reclamation Sub-Project and the Participants Projects, Mrs. Noga reported. Even though the AVC Project is one project, it will be divided into these three areas so forward movement on each section can be explained.

Today's presentation is organized in several topics where we were in the past, what we are doing now, and where we are moving in the future.

Chris Woodka explained the evolution of the AVC Project since the 2014 Record of Decision. In the first iteration of the AVC Project Reclamation would build the AVC. Cost estimates on that Project were made in 2016. Following a joint effort to redefine the AVC Project in 2019, the AVC Project Charter and Project Management Plan were adopted in 2020, and the Enterprise was responsible for building spur and delivery lines, while Reclamation would build the Trunk Line. The Cost Estimate Update was released in May 2024. There is a goal to complete the AVC by 2035 and keep costs as low as possible for participants.

Mr. Woodka introduced the lineup of topics for the presentation, and Mrs. Noga explained that they are organized to tell a story, but all of the topics are intertwined.

Topics and presenters were:

Communication Plan, Chris Woodka: There has been communication in the past, but the Enterprise will be meeting more frequently with participants. The Enterprise will use an internal task tracker to keep tasks organized. A monthly Newsletter will be furnished to the Board of Directors, then sent to participants and other stakeholders. The web site will be redesigned. One of the biggest communication pushes at the present time is to meet with the Colorado Water Conservation Board (CWCB) and Colorado Water Resources and Power Development Authority (CWRPDA) on funding, and the Colorado Department of Public Health and Environment (CWPHE) on water quality compliance issues.

Water Resources and O&M Costs, Garrett Markus: The Enterprise put together a plan that shows current water resources and future resources as they relate to the AVC. Some communities will blend current groundwater resources with the AVC water and the model, using information provided by GMS and Wilson Water Group, will predict how this blending can be optimized. In late 2023, Enterprise staff visited 18 of the 39 participants to explain the water resources availability as well as predicted operation and maintenance costs. The holidays, as well as staff and leadership changes, interrupted this process, which will resume and be completed by the end of October 2024.

The Committee discussed how the water resources plan was developed and how blending rates were determined. With 39 participants, there are 39 different water resources options.

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Governance, Lee Miller: While the Enterprise will remain part of the AVC governance, and right now is the only governance body. The Enterprise Board has suggested a governance authority is needed to represent the interests of participants. The difficulty is that there are 39 entities with both incorporated towns and cities, a water district, and private water companies. An authority cannot be put together with non-governmental entities. The Enterprise would have a partnership with the authority that would lead to an intergovernmental agreement and establish a framework that would describe the construction, payment and operation of the AVC. The Enterprise would retain some of its responsibilities, such as repayment to the federal government, just as it has with the Fountain Valley Authority. An authority also will be useful in developing operating and repayment agreements. The Enterprise suggested a potential structure for this in 2022, but “hit some turbulence” in the discussions, since some participants thought this could be a way to change past decisions.

Mr. Miller said the Enterprise will reconsider governance options that were discussed prior to the 2022 draft governance plan. The Committee discussed some of the options, such as working with the Lower Arkansas Valley Water Conservancy District.

Funding the Enterprise Sub-Project, Kevin Meador and Leann Noga: Funding for the Enterprise Sub-Project began in 2019, when the CWCB approved \$100 million (\$90 million loan, \$10 million grant). In 2022, Bipartisan Infrastructure Law (BIL) funds were potentially made available as well, and the CWCB later added a \$20 million grant to its existing grant to AVC. The total of \$30 million in grants could be used to leverage State Revolving Fund (SRF) loans, which have a 50% loan forgiveness component. Because this is a new process, the Enterprise plan has changed over time to make a “round peg fit in a square hole.”

The Enterprise, CWCB, CWPDA, and Otero County (Enterprise Fiscal Agent) are pursuing a joint agreement that leverages \$60 million in work by using the \$30 million in CWCB loans to pay the principle on SRF loans. There are also governing documents with some already in place, such as the Projects Bill that authorizes CWCB funding and the Fiscal Agent agreement with Otero County. The Committee and Enterprise Board will be able to review the agreement in September or October.

Other sources of funding continue to be investigated. One source of funding could be EPA Emerging Contaminants funding, which would be in the form of 100 percent grants. Other sources of funding could be the Department of Local Affairs (DOLA), Army Corps of Engineers and USDA Rural Development. These sources are also important to participants.

The Committee discussed the timing of funding and how it relates to construction schedules.

Remaining 2024 AVC Budget, Leann Noga: The 2024 Budget was expected to use \$3.2 million.

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AVC Accounting and Cash Flow, Leann Noga: The cash flow is different from the Budget. Current federal funding appears to be sufficient to build the Trunk Line to Crowley County and Fowler, in addition to the Pueblo County participants, so delivery lines to those communities are a priority.

The Committee discussed how Crowley County AVC water will be delivered.

Sources of revenue include participant payments, American Rescue Plan Act (ARPA) and a fund balance contributed by the Enterprise through the 2003 Aurora settlement of the Rocky Ford Ditch II sale. Participant payments fund assorted development costs for the AVC Project, ARPA funds were used in specific areas, and the fund balance has been applied to the GMS engineering reports (about \$800,000) and some of the design (\$598,000). The fund balance is \$3.9 million of the original \$4.8 million.

AECOM and Kennedy Jenks were hired in 2023 by the Enterprise Board to design all of the spur and delivery lines, with Kennedy Jenks designing in Otero County and AECOM in areas outside Otero County. Design was paused in June 2024 because expected funds have not materialized. Design will cost about \$1.5 million more to get to Fowler and Crowley County, which will come from the fund balance, subject to Board approval.

This will leave about \$2 million in the fund balance.

In addition to \$3.3 million already contributed by ARPA through various counties and cities. There is \$238,000 still available in Otero County (for non-incorporated areas) and \$90,000 recently contributed by Lamar. That money will be used to design the Lamar vault. The design is important, because it can be applied to the other AVC delivery vaults.

The Committee discussed auditing the AVC funds, and Mrs. Noga explained that the Enterprise processed \$750,000 of ARPA funds in 2023 and passed its single audit with an "A+."

Design and Operations Planning, Kevin Meador: The focus of design through the end of the year will be to complete Fowler and Crowley County. Preliminary design to date includes about 30 percent for all of the spurs and delivery lines and includes surveying, utilities investigations, permitting requirements and easement requirements.

Design activity has been paused because of changes in the cash flow but will resume to finish the Crowley County reach by the end of the year.

The District has been working with Reclamation to develop estimates of O&M costs.

Agreements and Policies, Lee Miller: Public Law 111-11 changed the repayment of the AVC to 35 percent for participants, rather than 100%. After passage, all participants signed MOAs.

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Negotiations on a Repayment Contract began in 2023, but in light of the Cost Estimate Update and unresolved issues involving SCADA and cyber security, those negotiations are on hold. The Enterprise is working on scoping revisions in the design contracts, new agreements with participants, finishing the repayment contract, the AVC operating agreement and anticipated revisions in the allocation policy to require Fry-Ark Water use in the AVC pipeline. The Committee also discussed the Enterprise’s role in requiring systems to reduce leakage prior to receiving AVC water.

Reclamation Sub-Project, Kevin Meador and Gordon Dillon: The AVC Project Charter and AVC Project Management Plan were adopted by Reclamation and the Enterprise in 2020. Reclamation has received \$321 million since then to begin construction. Two sections of pipeline are being constructed and a third contract for the Injection Site has been awarded. Boone Reach 1 is 60 percent complete and Boone Reach 2 is under construction, with 300 feet per day being completed. The Boone Reach 2 contract includes vaults at Avondale and Boone. Beyond that, Reclamation is designing pipeline up to Regulating Tank 1 (north of Fowler) and is preparing contracts for designs past the Regulating Tank.

The Committee also discussed non-contract costs above the reported contracts that have been issued, change orders and the amount potentially remaining for construction.

Participants, Chris Woodka: The participants are becoming re-educated about the AVC because the AVC Project has changed during the last 20 years, and many of the people working for water systems or on governing board are new to the process. In 2023, all of the participants were contacted regarding engineering reports as well as the water resources and operations discussions. The Enterprise will assist participants in finding funding sources for improvements that are needed within water systems or to hook up to AVC.

OTHER BUSINESS:

None

NEXT MEETING

Thursday, September 26, 10 a.m.

ADJOURN

Kevin Karney adjourned the meeting at 2:58 p.m.

Respectfully submitted,

Chris Woodka
Senior Policy and Issues Manager