

**RATE SUB-COMMITTEE
MINUTES
March 24, 2023**

A meeting of the Rate Sub-Committee Committee meeting was held on Friday, March 24, 2023, at 10:00 a.m. The Rate Sub-Committee offered both in-person and virtual connection.

Chairman Bill Long announced a quorum was present.

COMMITTEE MEMBERS PRESENT:

In-Person: Bill Long, Kevin Karney, Seth Clayton, Tom Goodwin, Curtis Mitchell and Jim Broderick.
Virtual: Ann Nichols

COMMITTEE MEMBERS ABSENT AND EXCUSED:

None

OTHERS PRESENT:

In-Person: Chris Woodka, Leann Noga, Garrett Markus, Patty Rivas, Stephanie Shipley, Lee Miller, Peter Levish, Kevin Meador, and Mark Scott, SECWCD staff.
Virtual: Mark Phifer, Dallas May, and Patrick Garcia, SECWCD Board members.

APPROVAL OF MINUTES:

Mr. Long confirmed that members of the Committee received their copy of the March 9, 2023, minutes and asked if there were any corrections or additions. Hearing none, Mr. Clayton moved, seconded by Mr. Karney, to approve the March 9, 2023, minutes. Motion unanimously carried.

PRESENTATIONS:

Funds and Revenues

Mrs. Noga summarized the following District and Enterprise funds and the revenue generated in each.

- ✓ District General Fund:
 - Fryingpan-Arkansas Project Fund: Revenues include the Contract Mill Levy tax and the Abatement and Refund Tax.
 - District Operations Fund: Revenues include Operating Mill Levy Tax, specific ownership tax, interfund reimbursements, and interest income.
- ✓ Enterprise Proprietary Fund:
 - Enterprise Water Operation Fund: Revenues include water and storage sales, surcharge, interest income, and partnership contributions.
 - Arkansas Valley Conduit Project Fund: Revenues include grants, ARPA, IPA, participants payments, and interest income.
 - Hydroelectric Power Project Fund: Energy generation and interest income.

Discussions were held regarding what the Fry-Ark Reserve could be used for. It was explained that the current Fry-Ark contract funds could be used for operations, maintenance, and betterments of the Fry-Ark Project system if agreed upon by both the District and Bureau of Reclamation (Reclamation).

Page 2
Rate Sub-Committee Meeting
March 24, 2023

A discussion was also held regarding the interfund reimbursement and how the District and Enterprise funds interact with the use of human capital and services provided.

2023 Financial Model, Cash Flow Results

Mrs. Noga presented the cash flow projections from the financial model for the 10-year period 2023-2032, she referenced year 2023.

- Fryingpan-Arkansas Project Fund - 2023 is estimated to carry a surplus of \$5.8 million, adding to the Fry-Ark reserve which would result in a year-end balance of \$27.3 million.

Mrs. Noga explained to the Committee that after the Fry-Ark condition assessment study is complete there will be a more precise capital improvement plan added which will provide additional expenditures over the 10-year period. In addition to added expenditures, Reclamation has mentioned that they will require a minimum reserve balance but has not disclosed a number this far.

- District Operations Fund – 2023 is estimated to create a deficit of \$783,000, this use of the reserve would result in a year-end balance of \$3.89 million.
- Enterprise Water Operations Fund – 2023 is estimated to create a deficit of \$487,000, this use of the reserve would result in a year-end balance of \$3.06 million.
- Hydroelectric Power Project Fund – 2023 is estimated to create a surplus of \$147,000, this addition to the reserve with a year-end balance of \$2.53 million.

Previously Board Approved Policies

Mrs. Noga then summarized that following policies that were approved by the Board of Directors on October 17, 2019.

- ✓ Rate Setting Policy
- ✓ Debt Management Policy
- ✓ Unrestricted Reserves Policy
- ✓ Capital Planning Policy

Surcharge Summary

Mrs. Noga provided a report titled *Surcharge Summary* completed by Jacobs Consulting. This report was originally provided to the Finance Committee in March 2020. Mrs. Noga walked through each surcharge as listed below.

- ✓ Safety of Dams Surcharge
- ✓ Water Activity Enterprise Surcharge
- ✓ Well Augmentation Surcharge
- ✓ Environmental Stewardship Surcharge
- ✓ Aurora Storage Surcharge

Page 3
Rate Sub-Committee Meeting
March 24, 2023

ACTION ITEMS:

None

INFORMATION ITEMS:

None

OTHER BUSINESS:

None

NEXT MEETING:

The next Rate Sub-Committee meeting is scheduled for Thursday, April 27, 2023, at 10:00 a.m.

ADJOURN:

Chairman Long adjourned the meeting at 11:46 a.m.

Respectfully submitted,

Leann Noga
Administrator of Finance and Administration