

RECORD OF PROCEEDING

**SOUTHEASTERN COLORADO WATER
CONSERVANCY DISTRICT**

MINUTES

November 21, 2019

A regular meeting of the Board of Directors of the Southeastern Colorado Water Conservancy District (District) was held on Thursday, November 21, 2019 at 9:38 a.m. at the District office, 31717 United Avenue, Pueblo, Colorado.

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	Greg Felt
Mark Pifher	Alan Hamel	Pat Edelmann
Andy Colosimo	Patrick Garcia (arrived at 9:43 a.m.)	Howard "Bub" Miller

DIRECTOR(S) ABSENT AND EXCUSED:

None

DISTRICT OFFICIALS PRESENT:

Executive Director James Broderick; General Counsel Lee Miller; Administrative Manager Toni Gonzales; Principal Engineer Kevin Meador; Water Resources Engineer Garrett Markus; Senior Policy 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

INTRODUCTION OF VISITORS:

President Long welcomed the visitors to the meeting, and asked them to introduce themselves and identify the organization they represented.

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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. Hearing none, Mr. Howard “Bub” Miller moved, seconded by Mr. Hamel, to approve the minutes. Motion unanimously carried.

FINANCE COMMITTEE REPORT:

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

CONSENT ITEMS:

None

PRESENTATIONS:

DISTINGUISHED BUDGET PRESENTATION AWARD FOR THE 2019 BUDGET PUBLICATION

Leann Noga said the District first applied for the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award in 2012. The District earned the award for the 2012 through 2019 Budgets.

The 2019 Distinguished Budget Presentation Award is presented to the Finance Team of the Southeastern Colorado Water Conservancy District. The Finance Team is made up of Jim Broderick, Leann Noga, Chris Woodka, Stephanie Shipley, and Toni Gonzales.

The GFOA established the Distinguished Budget Presentation Award Program to encourage and assist state and local governments in preparing budget documents with a very high quality that reflect both the guidelines established by the National Advisory Council on state and local budgeting and the GFOA’s best practices on budgeting. In addition, they recognize these individual governments with the success in achieving this goal.

The guidelines are designed to assess how well an entity’s budget serves as; a policy document, a financial plan, an operations guide, and a communications device. The GFOA Distinguished Budget Presentation Award is the highest form of recognition in governmental budgeting

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, and recognized Stephanie Shipley for her assistance in this year’s process.

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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

President Long recessed the Enterprise meeting at 10:23 a.m.

2019 RECLAMATION CONTRACT COMPLIANCE REVIEW

Mrs. Noga reported in 2011, Reclamation conducted a Contract Compliance Review (CCR) of the Fryingpan-Arkansas Project contract. There were no errors or issues found at that time. In August 2019, the District was informed by Reclamation that a CCR would be completed on the Fryingpan-Arkansas contract, the Safety of Dams (Pueblo) contract, the Excess Capacity Master contract, and the Fountain Valley Authority contract.

The CCR process is Reclamation's primary internal control for its water-related contracting programs. It is designed to monitor and promote contract compliance. The CCR objectives are to ensure that contract water is delivered and used in accordance with contract terms.

In August 2019 the District began the CCR process for the Fryingpan-Arkansas contract, the Safety of Dams (Pueblo) contract, the Excess Capacity Master contract, and the Fountain Valley Authority contract. The District created a team consisting of Garrett Markus, Chris Woodka, and Leann Noga to complete the CCR. At the request of Reclamation, the team completed a questionnaire with reference to each of the four contracts under review.

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On November 5, 2019 the team as well as representatives from Reclamation's area and regional offices attended a phone call to complete the review. There were no errors or issues indicated and the CCR was completed.

ACTION ITEMS:

INCLUSION OF LAND ANNEXED BY COLORADO SPRINGS

Mr. Markus reported the Board has approved inclusions of properties located outside of the District which were annexed by towns and cities in the District. These inclusions are subject to the standard terms and conditions, Secretarial Assent, and District Court decree including the lands within the District.

There are three methods of including lands into the District:

1. Annexation by a town or city located in the District.
2. Petition of the property owners.
3. Vote of the property owners.

All three of these methods require assent from the Secretary of Interior, for which Reclamation requires a National Environmental Policy Act (NEPA) review of the lands to be included in the District boundaries. Once the Board approves the inclusion by Resolution, then Secretary Assent by Reclamation is requested. The inclusion is submitted to the District Court for a decree including the lands within the District.

The Application of Assent has been submitted to the District and will be forwarded to Reclamation for the property.

The Resolution for Inclusion is:

RESOLUTION NO.	More Commonly Known As	Legal	Acres	County
2019-49D INCL-AX	Sorpresa East Addition No. 1	Sec6 Twn13SR65	8.9	El Paso

Mr. Mitchell reported the Resource and Engineering Planning Committee recommends the Board approve the inclusion of Sorpresa East Addition No. 1 by Colorado Springs into the Southeastern Colorado Water Conservancy District (District) with the standard terms and conditions. Once approved by the Board of Directors, staff will send the annexation to the Bureau of Reclamation (Reclamation) for assent. The District will submit the inclusion to the District Court for final decree.

Mr. Mitchell moved, seconded by Mr. Garcia, the Board approve, by Resolution, the inclusion of the Sorpresa East Addition No. 1 annexed by Colorado Springs subject to the following terms and conditions:

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1. Approval of these inclusions into the Southeastern Colorado Water Conservancy District will not increase the amount of Fryingpan-Arkansas Project water available to the city. Any Fryingpan-Arkansas Project water used on these included lands will need to come from the water allocated to the city through Fryingpan-Arkansas Project water allocations made pursuant to the District's Allocation Principles and Policies; and
2. Any use of Fryingpan-Arkansas Project water on the included lands is subject to the decrees for the Fryingpan-Arkansas Project, and to all lawful rules, regulations, principles, policies, and contractual obligations of the District; and
3. The annexed lands will be subject to ad valorem taxes levied by the District as any other similarly situated lands in the District at the time of this inclusion; and
4. Prior to the District filing a petition for District Court approval of this inclusion, the Municipality, and/or owner(s) of the annexed lands shall have paid all the costs charged by the United States in connection with the contracting officer's assent to this inclusion.

Motion unanimously carried.

STIPULATION IN CASE NO. 19CW3032

Lee Miller reported Case No. 19CW3032 is Salida's application to amend its plan for augmentation decreed in Case No. 84CW158 (as subsequently amended in Case Nos. 04CW125 and 18CW3008), to include two new irrigation wells located in Fremont County as augmented structures. The operation of the wells will cause depletions to Hamilton Creek, tributary to the Arkansas River. Fryingpan-Arkansas Project water will not be used as a source of augmentation supply for the additional augmented structures. The augmentation plan, as proposed to be amended in this case, initially provided for delivery of augmentation water at Pueblo Reservoir, and included an appropriative right of exchange from Pueblo Reservoir up to the point on Hamilton Creek where the depletions attributable to the two wells will impact the stream. However, Salida has elected to deliver its augmentation supplies to the confluence of Hamilton Creek and the Arkansas River, and will operate its exchange from the Hamilton Creek confluence up to the point of depletion. Therefore, Pueblo Reservoir will not be used in the operation of the augmentation plan.

The District's objectives in this case are to ensure that: (1) appropriate terms and conditions for any use of Project Facilities are included in the proposed decree; (2) Salida's proposed exchange will not cause injury to the Winter Water Storage Program ("WWSP"); (3) Salida's proposed augmentation plan and exchange will not injure the Voluntary Flow Management Program ("VFMP"); and (4) the proposed decree is clear that Fryingpan-Arkansas Project Water and Project Return Flows will not be used as a source of augmentation supply for the two new wells to be included in Salida's augmentation plan, and that any combined accounting that includes Project Water involved in past Salida decrees properly accounts for Project Water in a manner consistent with such decrees and District allocations.

The proposed decree confirms that Salida will deliver its augmentation supplies at the confluence of Hamilton Creek and the Arkansas River, and that Salida will operate its exchange from the Hamilton Creek confluence up to the point of depletion on Hamilton Creek (§§ 11.5, 11.6). Because Salida will

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not be delivering augmentation supplies at Pueblo Reservoir, will not be operating this exchange from Pueblo Reservoir, and will not otherwise be using or impacting Project facilities, no protective terms and conditions concerning the use of Project facilities are necessary in this case.

The proposed decree contains appropriate Standard Language terms to ensure that Salida's exchange will not injure the VFMP (§ 14.1). The proposed decree also includes language to protect the WWSP from injury as a result of Salida's operation of its augmentation plan above Pueblo Reservoir (§ 14.2). The language slightly modifies the Standard Language term for the protection of the WWSP by removing references to Salida's delivery of replacement water to Pueblo Reservoir. Since Salida will be delivering its augmentation supplies to the confluence of Hamilton Creek and the Arkansas River, this modification of the Standard Language is appropriate in this case. The proposed decree also confirms that the augmentation supplies for these two new wells does not include water attributable to the Fryingpan-Arkansas Project or Project return flows, and that Salida will use no Project water to augment these wells (§ 10).

Mr. Clayton moved, seconded by Mr. Garcia, to authorize Special Water Counsel to execute a stipulation in the City of Salida's Case No. 19CW3032, consenting to entry of a decree in the case that is no less restrictive on Salida and no less protective of the District than the proposed decree dated November 1, 2019. Motion unanimously carried.

MONTHLY/QUARTERLY REPORTS:**U.S. BUREAU OF RECLAMATION REPORT**

Roy Vaughan provided a written report reviewing the following:

- As of November 12, 2019 there were 189,138 acre-feet stored in Pueblo Reservoir; 141,594 acre-feet of Project water; 41,475 acre-feet of Excess Capacity water; 16,142 acre-feet of Winter water
- There is currently 103,779 acre-feet of Project space in Pueblo Reservoir and 5,068 acre-feet of space in Turquoise and Twin Lakes Reservoirs
- Charts illustrating storage amounts in Turquoise, Pueblo, and Twin Lakes
- Total M&I Project water in the System
- Project Reservoirs: Turquoise 119%; Twin Lakes 110%; Pueblo 120%
- Total M&I Project water in the System

DIVISION ENGINEER'S REPORT

Mr. Tyner provided a written report reviewing the following:

During 2019, the State and Division Engineer have hosted a series of meetings related to the practice of trades of water between reservoirs by various water right owners. This practice, described ultimately in our discussions as "reservoir trades and substitutions", has created a significant response from those entities who have enjoyed the benefit of this river and reservoir operational practice and some parties who have expressed concern about the legality of this practice and whether or not it represents either a water right injury issue or exacerbates water quality problems.

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The final discussion meeting was held on November 18, 2019 at Pueblo Community College and Kevin Rein, the State Engineer, and Bill Tyner intend to prepare communication to be sent to the parties involved sometime within the next few months to describe the position they plan to take going forward.

In order to provide some context about reservoir trades and substitutions, Mr. Tyner provided the slides that he presented to the participants at the November 18, 2019 meeting, reviewing the following:

- Reservoir Trades and Substitutions
- Reservoir Trades by Year (AF)
- Trade Amount-90% of Total Trades
- Minor Reservoir Trades 9% of Total
- Reservoir Trades and Substitutions Inventory Arkansas River Basin-Division 2 Upper Basin Reach Map 1 Turquoise Reservoir to Pueblo Reservoir
- Reasons for not Delivering Water via the River..
- Reasons for not Exchanging Water at Key Times
- Reservoir Trades and Substitutions Inventory Arkansas River Basin-Division 2 Lower Basin Reach Map 2 Pueblo Reservoir to Colorado Canal System

U.S. GEOLOGICAL SURVEY REPORT

Andy Klakulak provided a written report reviewing the following:

- Consideration of Potential Effects of the Decker Fire on the Arkansas River Basin
- Decker Fire Burn Scar Extent
- Post Fire Conditions, Affecting Water Quality
- Consequences of Water Quality Changes Due to Post Fire Conditions
- Potential Monitoring/Early Warning Sites USGS Stream Gauges
- Estimated Transit (Travel) Time Between Gauges
- Options for Monitoring

INFORMATIONAL ITEMS:

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

- Water Court Resume
- Winter Water Storage Program Board of Trustees Annual Meeting
- State Legislative Update
- Colorado River Issues Status
- Arkansas River Compact Administration Annual Meeting
- 2019 CRWUA Annual Conference
- Four States Irrigation Council 67th Annual Meeting
- Colorado Water Congress Annual Convention

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President Long asked if there were any other matters to come before the meeting, and hearing none, adjourned the meeting at 11:27 a.m.

Respectfully submitted,

Toni Gonzales
Administrative Manager

Secretary

