



Financial Strategy and Sustainability Study Executive Committee Meeting April 23, 2019

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Workshop 1: Preparing Long-Term Financial Planning Summary



The District is in a new era, with a mission focused on maintaining its investment in the Fryingpan-Arkansas Project. The District will work as a financial partner with the Bureau of Reclamation. The District is obligated by its Contract with Reclamation, but also has a duty to protect and enhance the Project for its stakeholders.



Costs for District operations, capital needs and Enterprise Activities are increasing, but water rates have remained unchanged for more than 20 years. Water rates, along with payments from the Enterprise to the District, are the primary source of additional revenue, because District bonding options are limited.

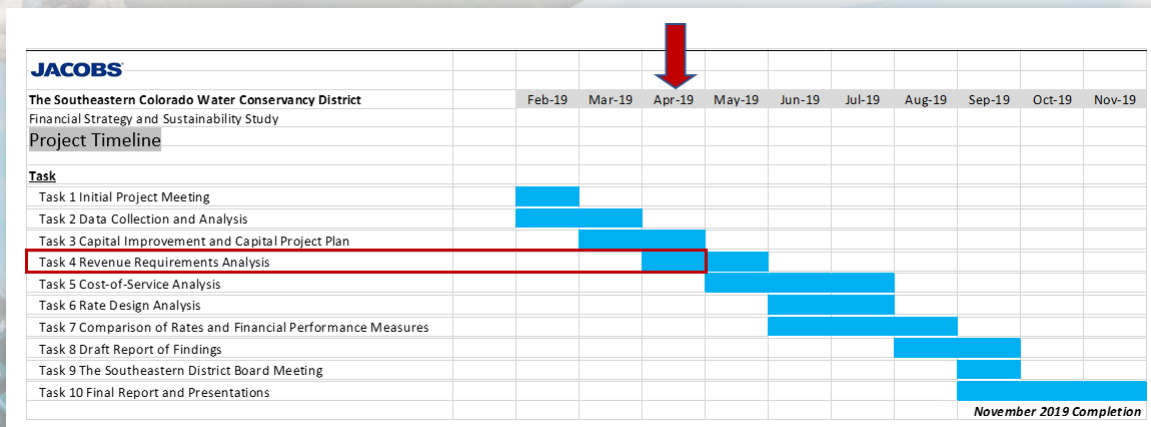


Amendment 11 to the Fry-Ark Contract sets up a specific payback rate to Reclamation for the Project, and allows the District to establish a strategic reserve for Project needs. The reserve cannot be transferred to other funds.



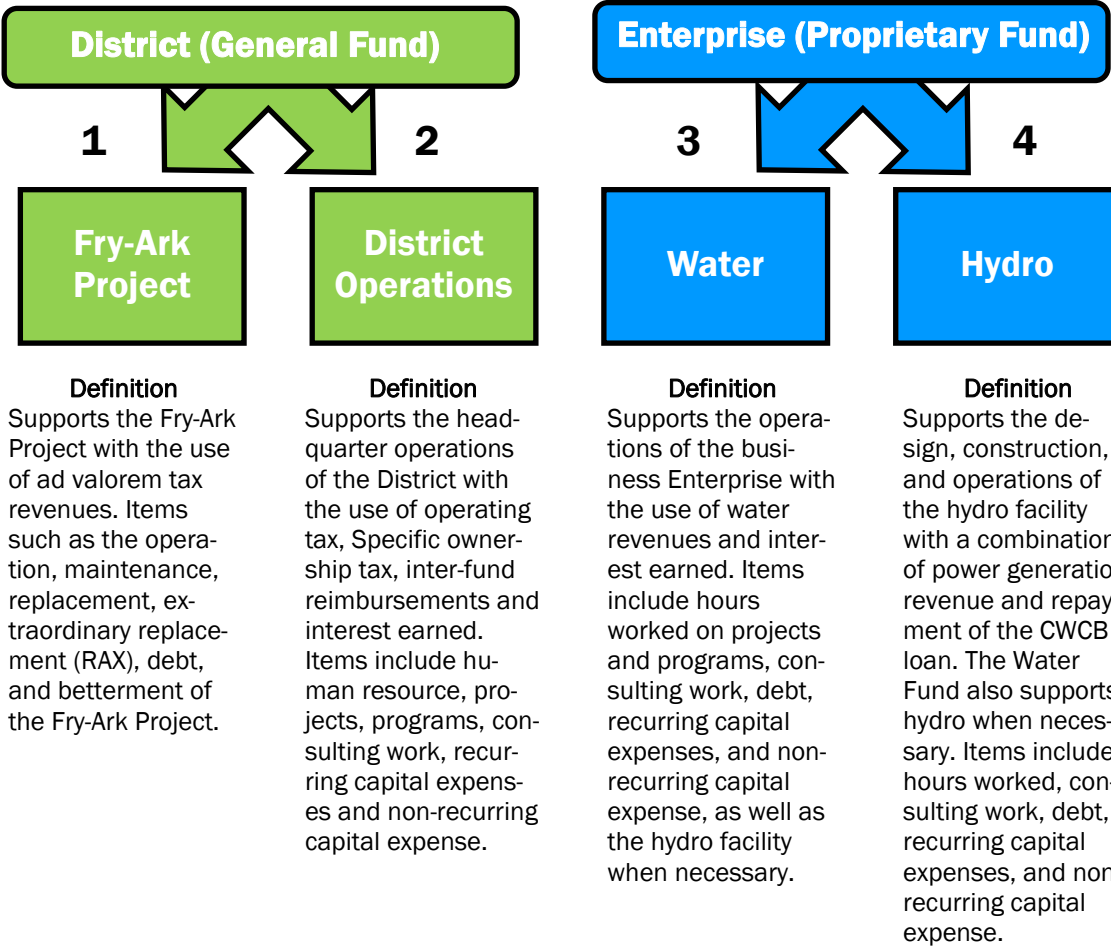
“Base case” projections show District fund balances for the next 10 years. Alternate scenarios will look at additional capital investments, or unexpected Project replacement costs.

Finance Study Schedule



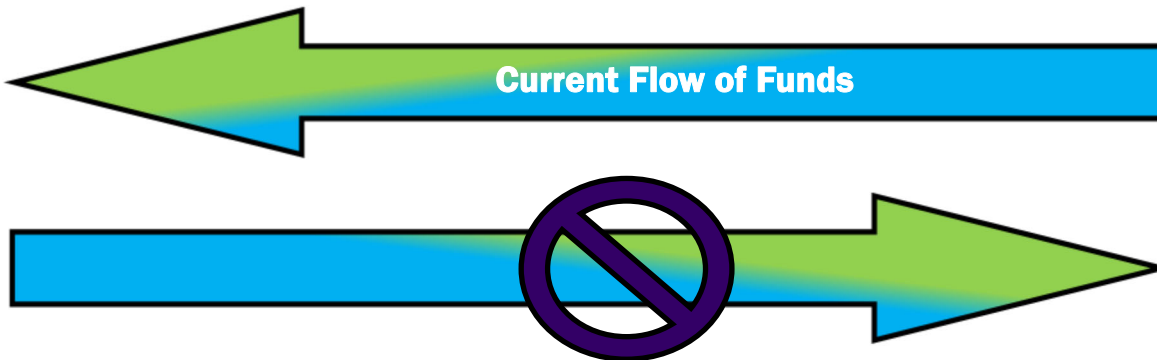


Finance Study: Breakdown of 4 Fund Elements



“There is a changing landscape, where you are shifting from investment in the Project to maintenance.”

Dennis Jackson



Current Flow of Funds

The District (General Fund) is the government entity in which receives ad valorem tax revenues from the nine Southeastern District counties. The District doesn't currently support the Enterprise. The Enterprise (Proprietary Fund) is the business operations and generates the majority of revenues from the sales and storage of Water. The Enterprises has the ability to use funds to support the District.



Finance Base Case Revenue Requirements: 10-Year Forecast

District (General Fund)		Enterprise (Proprietary Fund)	
1	2	3	4
Fry-Ark Project	District Operations	Water	Hydro
10-Year Base Case	10-Year Base Case	10-Year Base Case	10-Year Base Case
Revenue: \$13.5 million	Revenue: \$2.5 million	Revenue: \$1.9 million	Revenue: \$1.3 million
O&M Expense: \$7.5 million (5 yrs) \$2.5 million (next 5 yrs)	O&M Expense: \$3.2 million	O&M Expense: \$2.5 million Capital Expenses: \$500,000	O&M Expense: \$500,000
Debt Service: \$1.5 million	Debt Service: None	Debt Service: None	Debt Service: \$900,000
Annual Deficit: None	Annual Deficit: (\$600,000)	Annual Deficit: (\$1 million)	Annual Deficit: Break-even
Beginning Balance: \$4.3 million	Beginning Balance: \$5.9 million	Beginning Balance: \$8.6 million	Beginning Balance: (\$2.8 million)
10 Year Surplus: \$27 million	10 Year Deficit: (\$5.7 million)	10 Year Deficit: (\$9.9 million)	10 Year Surplus: \$400,000
Ending Balance 2028: \$31.3 million	Ending Balance 2028: \$200,000	Ending Balance 2028: (\$1.3 million)	Ending Balance 2028: (\$2.4 million)



“We will manage the Project in a partnership with the Bureau as we are moving forward.”

Leann Noga

Summary of Workshop Takeaways

- ◆ The base case for the Fry-Ark Fund annual forecast is a break-even or use of Fry-Ark reserves in some years,
- ◆ The base case for the District Operations Fund annual forecast is a deficit of **(\$600,000)**
- ◆ The base case for the Water Fund annual forecast is a deficit of **(\$1 million)**
- ◆ The base case for the Hydro Fund is forecasted to break even, but has a starting negative fund balance due to construction of the facility
- ◆ In order for the District and Enterprise to maintain the base case, a doubling of rate revenues in the District Operations Fund and Water Fund are needed over the 10-year forecast period.
- ◆ The Team will follow up on additional questions raised at the first workshop.



Next Executive Committee Workshop

Executive Committee Workshop 2

Subject: Establishing Appropriate Reserves

May 23, 2019 from 10:00 a.m.- 2:00 p.m. (Lunch Provided)
Southeastern Colorado Water Conservancy District
31717 United Ave
Pueblo, CO 81001

Future Workshops and Meetings

Executive Committee Workshop 3

Subject: Allocation Cost of Service
June 27, 2019 from 10:00 a.m.- 2:00 p.m. (Lunch Provided)
Southeastern Colorado Water Conservancy District
31717 United Ave
Pueblo, CO 81001

SE District Board Meeting

Subject: Assessment Rates, Surcharges, and Fees Hearing
August 15, 2019 at 9:30 a.m. (Lunch Provided)
Southeastern Colorado Water Conservancy District
31717 United Ave
Pueblo, CO 81001

Executive Committee Workshop 4

Subject: Water Assessment Rates and Surcharges
July 25, 2019 from 10:00 a.m.- 2:00 p.m. (Lunch Provided)
Southeastern Colorado Water Conservancy District
31717 United Ave
Pueblo, CO 81001

SE District Board Meeting

Subject: Assessment Rates, Surcharges, and Fees Adoption
September 19, 2019 at 9:30 a.m. (Lunch Provided)
Southeastern Colorado Water Conservancy District
31717 United Ave
Pueblo, CO 81001

Southeastern Colorado Water Conservancy District

