

RECORD OF PROCEEDING

**SOUTHEASTERN COLORADO WATER
ACTIVITY ENTERPRISE**

MINUTES

September 17, 2020

A virtual meeting of the Board of Directors of the Southeastern Colorado Water Activity Enterprise (Enterprise) was held on Thursday, September 17, 2020 at 9:47 a.m., via ZOOM.

President Bill Long welcomed all in attendance to the virtual meeting. Mr. Long asked Leann Noga to do a role call. Mr. Long established that a quorum was present.

DIRECTORS CONNECTED:

Bill Long	Carl McClure	Pat Edelmann
Alan Hamel	Curtis Mitchell	Patrick Garcia
Andrew Colosimo	Kevin Karney	Seth Clayton
Ann Nichols	Mark Pifher	Tom Goodwin

DIRECTOR(S) ABSENT AND EXCUSED:

Dallas May, Howard “Bub” Miller, and Greg Felt

ENTERPRISE OFFICIALS CONNECTED :

Executive Director James Broderick; General Counsel Lee Miller; Principal Engineer Kevin Meador; Senior Policy and Issues Manager Chris Woodka; Water Resource Engineer Garrett Markus; Finance Manager Leann Noga; Administrative Manager Toni Gonzales; Administrative Support Specialist Margie Medina; Accounting Specialist Stephanie Shipley; Administrative Support Associate Patty Rivas; Stephen Leonhardt, Burns Figa & Will.

VISITORS CONNECTED:

Jenny Bishop, Colorado Springs Utilities; Brandon Bernard, Widefield Water & Sanitation; Rachel Duran and Kevin Salter, State of Kansas Department of Agriculture; Cathy Garcia, Senator Cory Gardner’s Office; Kim Swearingon and Jeffery DeHerrera, Pueblo West Metro District; Jerry Pena, Kennedy Jenks; Mark Scott, Providence Infrastructure; Curtis Thompson, AECOM; Brett Gracely, LRE Water; Bill Tyner, Division Engineers Office; Isreal Ortega, City of Aurora.

APPROVAL OF MINUTES:

President Long said the minutes of the July 16, 2020, Board meeting were posted to the Board website for review and asked if there were any corrections or additions. Hearing none, Mr. Hamel moved, seconded by Mr. Karney, to approve the minutes. Motion unanimously carried.

RECORD OF PROCEEDING

TREASURER REPORT:

Treasurer Nichols reported the financial statements for July and August 2020 were posted to the Board website for review. Ms. Nichols moved, seconded by Mr. Clayton, for acceptance of the July and August 2020 financial statements and payment of the August 2020 bills. Motion unanimously carried.

PRESENTATION:

ARKANSAS VALLEY CONDUIT FUNDING

Mr. Meador along with Mr. Lee Miller presented a report along with a PowerPoint. In 2020 Reclamation was appropriated \$28 million for final design and construction of the Arkansas Valley Conduit (AVC). The President's budget for 2021 includes an additional appropriation of \$8 million for the AVC. These funds will be accessed to design and construct the main truck line of the AVC.

Also, in 2020 the State of Colorado approved a \$90 million loan and \$10 million grant for the AVC to be used by the Enterprise, which will be accessed to construct the spurs and water delivery lines.

Under PL 111-11, participants are obligated to pay 35 percent of AVC design and construction costs, which would amount to \$210 million, if the AVC ultimately cost \$600 million to build. When the law was passed and signed in 2009, it was assumed that all costs would be Reclamation funded, and that miscellaneous revenues from the Fryingpan-Arkansas Project would be sufficient to repay the 35 percent local share.

Under the new plan, participant payments, the State funds and/or any other funding that can be secured to construct the spurs and water delivery lines would count toward the 35 percent. Some of the AVC providers have incurred debt for temporary solutions to problems which will be permanently solved when the AVC is built.

The Enterprise has assumed the responsibility for the final design of spurs and delivery points with the twofold goal of decreasing participant costs, and to better integrate local water systems with the AVC. The Enterprise is also developing an operating plan for the AVC that will be used during and after construction. The Enterprise will be also be responsible for the operation, maintenance, and replacement (OM&R) of the AVC.

These activities will require up-front funding, which is outside the ability of most of the participants to pay in the short term, at a time when funding is critical to the success of AVC. The purpose of the first part of this presentation is to update the committees on the status of the AVC project, and to provide an overview of the level of funding that will be needed. The second part of the presentation will look at the history of funds paid to the Enterprise under the 2003 Intergovernmental Agreement (IGA) that satisfied the District's conditions for Aurora to obtain a long-term storage and conveyance contract with Reclamation. Part of the discussion during the IGA negotiations was the use of the IGA payments in the area from which Aurora removed water during the Rocky Ford II case.

RECORD OF PROCEEDING

The AVC and Finance Committees reviewed this presentation at a joint meeting on August 20, 2020, and both of the committees recommended \$4.8 million of the Aurora payments be restricted for use by the Enterprise for AVC activities. (This was discussed as an action item later in the meeting.)

ACTION ITEMS

APPOINTMENT OF BUDGET OFFICER

Mrs. Noga presented an action item to move that the Enterprise Board of Directors appoint the Finance Manager Leann Noga, as the Budget Officer for the 2021 Enterprise budget preparation.

Mr. Hamel moved, seconded by Mr. Pifher the Board of Directors appoint the Finance Manager Leann Noga, for the Budget Officer for 2021 Enterprise Budget preparation. Motion Unanimously carried.

SET PUBLIC HEARING FOR 2021 PROPOSED BUDGET

Mrs. Noga presented an action item to recommend that the Enterprise Board of Directors set November 19, 2020 at 9:45 a.m. for the Southeastern Colorado Water Conservancy Enterprise to hold the Public Hearing of the 2021 Proposed Budget. A copy of the Draft letter to the newspapers as well as a draft notice of the 2021 Proposed Budget was provided to the Board.

Mr. Karney moved, seconded by Mr. Colosimo, that the Enterprise Board of Directors set November 19, 2020 at 9:45 a.m. for the Southeastern Colorado Water Conservancy Enterprise to hold the Public Hearing of the 2021 Proposed Budget. Motion Unanimously carried.

USE OF AURORA FUNDS TO OFFSET AVC EXPENSES

Mr. Lee Miller presented an action item recommending approval of funds held from the 2003 Aurora Intergovernmental Agreement, which were intended for use in the area of origin, the lower Arkansas River Basin, to be used to reduce up-front costs of the design, construction, and implementation of the Arkansas Valley Conduit (AVC) to participants.

The Enterprise signed Memorandums of Agreement with AVC participants requiring payments for development and planning of AVC beginning in 2011. To date, participants have paid \$1,478,605. Costs are expected to increase significantly as AVC moves into construction and implementation. The AVC and Finance Committees met jointly on August 20, 2020 to review the Aurora funds and their relationship to the AVC.

Reclamation has received \$28 million in federal appropriations in FY 2020 to design and build the AVC. This is “no-year” money, meaning it will not have to be spent this year. In addition, Reclamation has included in the FY 2021 Administration budget request for an additional \$8 million. More is possible, if Congress approves additional funding, such as was used to provide the FY 2020 appropriations.

RECORD OF PROCEEDING

The federal portion of the AVC will total between \$441 million and \$476 million over the projected 15-year time frame to build the AVC. That works out to about \$30 million per year in federal appropriations that must continue to complete AVC on time.

The Enterprise is committed to keeping the local AVC costs as low as possible and based on a total distance of about 100 miles of spurs and delivery lines believes the costs will not be as high as projected by Reclamation.

The Enterprise plans to hire an engineer/engineering firm, that would be dedicated to designing the Enterprise portion of the AVC, as well as helping communities prepare for the delivery of AVC water. The Enterprise's plan is to design all segments of the AVC in advance of the arrival of the delivery line to each geographic segment of the route. This will assure that plans are in place when the AVC arrives and provide "shovel-ready" projects if and when future federal funding packages become available.

The Enterprise and participants have some forms of financial assistance available or potentially available to build the AVC and reduce the cost to participants, notably:

- The \$10 million grant in the CWCB funding package.
- The appropriate payments made by Aurora to the District under the 2003 Intergovernmental Agreement.
- Miscellaneous revenues from the Fryingpan-Arkansas Project.
- Grants from other state or federal agencies.
- Revenues from the James W. Broderick Hydropower Plant to help defray OM&R costs after existing financing for the Hydro Plant is paid.

Mr. Hamel moved, seconded by Mr. Karney the Enterprise Board of Directors resolve to reserve \$4.8 million of the Enterprise fund balance, reflecting an amount of payments from the 2003 Intergovernmental Agreement with Aurora previously received that were intended for use in the area of origin, the lower Arkansas River Basin within the Southeastern Colorado Water Conservancy District, to immediately fund current and future costs associated with the design, construction, and implementation of the Arkansas Valley Conduit. Motion passed unanimously.

ACCEPTANCE OF FEATURE ASSET VALUATION REPORT BY PROVIDENCE
INFRASTRUCTURE

Mr. Markus presented an action item that requested the Board approve Phase 1 Feature Valuation draft report as the Final Report. A PowerPoint was given by members of the Providence Infrastructure team.

RECORD OF PROCEEDING

The topics covered in the report were as follows:

Chapter 0	Executive Summary	
Chapter 1	Introduction	
Chapter 2	Fryingpan-Arkansas Project System Overview	
2.1	West Slope Features.....	
2.2	East Slope Features	
Chapter 3	Feature Valuation Approach.....	
3.1	Cost.....	
3.2	Depreciation	
3.3	Feature Condition.....	
3.4	Use Value.....	
3.5	U.S. Bureau of Reclamation.....	
3.6	Selection of Feature Valuation Method	
3.7	Replacement Cost Development.....	
Chapter 4	Feature Valuation Results.....	
4.1	West Slope Features.....	
4.1.1	West Slope Dams.....	
4.1.2	West Slope Diversion Structures	
4.1.3	West Slope Tunnels	
4.1.4	West Slope Conduits and Siphons	
4.1.5	West Slope Control Facilities	
4.2	East Slope Features	
4.2.1	East Slope Dams	
4.2.2	East Slope Diversion Structures.....	
4.2.3	East Slope Conduits	
4.2.4	East Slope Control Facilities.....	
4.2.5	District and Enterprise Activity-Specific Features ..	
Chapter 5	Conclusion and Future Efforts	

Mr. Garcia moved, seconded by Mr. Karney the Board approve the Phase Feature Valuation report as a Final Report. Motion Unanimously carried.

PHASE 2 FEATURE CONDITION ASSESSMENT PRIORITIZION AND PLANNING SCOPE OF WORK

Mr. Markus requested the Board approve the Phase 2 Feature Condition Assessment Prioritization and Planning Scope of Work preformed by Providence Infrastructure Consultants (PIC).

The Phase 1 Feature Valuation (FV) Study is the first phase of the District investigating Fry-Ark features and District and Enterprise assets to help determine condition, maintenance scheduling, replacement, and betterment aspects of each feature. The FV Study is the framework for identifying and defining all the studied features and their present-day value. The Resource and Engineering Planning Committee (Committee) recommended the Southeastern Colorado Water Activity Enterprise (Enterprise) Board approve the Phase 1 Feature Valuation draft report in August.

Additionally, in August 2020, the Committee unanimously agreed that PIC’s work was satisfactory and suggested PIC scope the work necessary for Phase 2 and begin the Feature Condition Assessment

RECORD OF PROCEEDING

process. The Phase 2 Feature Condition Assessment Prioritization and Planning will continue through the end of calendar year 2020 and is expected to be completed in the second quarter of 2021. The Phase 2 work will build on the framework from the Phase 1 study by reviewing the Bureau of Reclamation's feature specific condition to prioritize field investigations and plan a multi-year feature management program. Attachment 1 describes PIC's Scope of Work and objective for Phase 2.

Mr. Clayton moved, seconded by Mr. Mitchell the Enterprise Board approve the Phase 2 Feature Condition Assessment Prioritization and Planning Scope of Work performed by Providence Infrastructure Consultants. Motion Unanimously carried.

AGRICULTURAL OFF-SEASON STORAGE FOR PROJECT WATER

Mr. Markus presented an Action Item that requested the Board enact the 80/20 Rule (Rule) for agricultural Project water off season storage for the 2020-2021.

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.

Mr. Hamel moved, seconded by Mr. Karney that the District Board enact the Agricultural 80/20 Rule for Project water storage for the 2020-2021 agricultural off season. Motion Unanimously carried.

Mr. Hamel had a question on the graphics from Mr. Markus's PowerPoint, that were provided by the Bureau of Reclamation. Mr. Markus answered his question successfully.

INFORMATION ITEMS:

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

- AVC and Excess Capacity Master Contract Update
- JWBHP Update

RECORD OF PROCEEDING

OTHER BUSINESS MATTERS:

Hearing no other comments, Mr. Long adjourned the meeting at 11:21 a.m.

Respectfully submitted,

Patty Rivas
Administrative Support Associate

Secretary

