

**Colorado Water Resources
and
Power Development Authority**

BOARD MEETING MINUTES

August 21, 2019

Call to Order

Chair Roy Heald called the meeting to order at 2:01 p.m. in the Spring Creek Conference Room of The Steamboat Grand, located at 2300 Mt. Werner Circle, Steamboat Springs, CO 80487.

Roll Call and Declaration of a Quorum

Board members present: Roy Heald, Webb Jones, Bob Wolff, Mike Berry, George Corkle, Steve Price, Judy Skram, Chris Treese, and Steve Vandiver. A quorum was declared with all nine Board members present.

Approval of Minutes – June 7, 2019

The June 7, 2019, Minutes were presented for approval. Upon hearing no comments, a motion was made to approve the Minutes for June 7, 2019, as presented.

Motion: Judy Skram
2nd: Steve Vandiver
Vote: Motion carried

For the record, Chair Heald invited all guests to formally identify themselves.

Other Agency Reports

Report of CWCB –Kirk Russell, Finance Section Chief of the CWCB, referred to the written report and stated the CWCB Board met on July 17th and 18th in Leadville, Colorado. At those meetings, the Board approved a loan to the Hidden Valley Water District for \$1.7 million to construct a master meter connection to the Evergreen Metropolitan District's system. The Board also approved a loan to the Lower Arkansas Water Management Association for \$3.6 million, which included a \$1 million Water Plan Grant, for the purchase of a mined aggregate pit. The July Board meetings included a joint meeting with the Interbasin Compact Committee (IBCC), and the focus was on the Colorado River Drought Contingency Planning and Demand Management Feasibility Study efforts. Mr. Russell provided a year in review report for the CWCB, stating the total loans approved by the Board in FY 18-19 was \$49 million and confirmed staff closed out the construction phase of \$17 million of project loans. Mr. Russell concluded his report with a CWCB staffing update noting that Chief Operating Officer Anna Mauss' former position as Project Manager/Marketing was filled by Matt Stearns, formerly with CDPH&E. Additionally, Jonathan Hernandez's Engineering position was filled by Cole Bedford.

Report of WQCD – Chair Heald noted that Ron Falco wasn't in attendance as he was on vacation and referred to Mike Beck to provide the WQCD report. Mr. Beck referred to the written report and stated that the Water Quality Control Commission ("Commission") held an information briefing regarding polyfluoroalkyl substances (PFAS) on August 12th. Additionally, the Commission will hold an administrative action hearing on October 9, 2019, to discuss the 2020 Intended Use Plans. Mr. Beck reported that in accordance with House Bill 19-1279 (concerning the use of perfluoroalkyl and polyfluoroalkyl substances) the Division has developed a draft survey that will be distributed to all fire departments in the state by September 15th. Mr. Beck confirmed that the Division submitted its 2020 budget to Authority staff on Monday, August 19th. Mr. Beck stated the Division is finalizing its Work Plan to

submit to EPA regarding lead testing in public schools. The Division received \$1.2 million from the EPA to assist public schools with lead testing and may face challenges distributing the money to schools due to low participation rates from the schools. Mr. Beck confirmed the Division completed its 2020 eligibility survey and the results are similar to last year. The survey results will be compiled and submitted to the Commission by September 6th for incorporation in the 2020 Intended Use Plan. Mr. Beck concluded his report with a Clean Water 2019 budget update, stating that the total percent expended in the project budget is approximately 61%.

Report of DOLA – Scott Olene referred to the provided written report and stated the Energy and Mineral Impact Assistance Program Tier II (up to \$1 million) awards were issued on August 14, 2019 and were summarized in the report. Mr. Olene also referred to the Tier I and Tier II applications received from the August 1st application deadline and stated the Tier II hearings would occur in November and decisions will be made in the weeks following. There was approximately \$7.5 million in funding requests for water and wastewater projects. Mr. Olene reported SRF staff from all three partnering agencies made an outreach presentation in the City of Craig, Colorado on July 30th and it was well attended. A summary of the Small and Rural Communities Technical Services contractor was provided, stating that DOLA has spent approximately \$29,000 in services to five communities. This pilot project will be discussed in further detail under Agenda item 5(d) in today's meeting. Mr. Olene continued his report with an update on DOLA's annual rate survey stating it was distributed to the water and sewer providers in the state on August 12, 2019 and, to date, 65 responses were received. A follow-up report with the survey results will be provided at the December 6, 2019 Board meeting. Mr. Olene confirmed DOLA's 2020 budget was submitted to Authority Controller Justin Noll on August 20, 2019. Mr. Olene concluded his report with an update on the severance tax revenues stating that the forecasts are much lower than initially expected but the changes would likely not have an impact on the Energy and Mineral Impact Assistance Program.

Authority Reports

Public and/or Board Member Comment – Director Treese referred to the conference “*State of the State's Water Funding*” presentation moderated by Mike Brod, Keith McLaughlin and Kirk Russell and questioned the significant differences between engineers' initial estimates and final costs of projects and wondered if the disparity was due to deficient engineering estimates, construction inflation and/or other aspects that could be addressed by the Authority. Mike Brod responded that this has been an issue with applicants for SRF projects for several years. Director Price confirmed that there seems to be cycles of inaccurate engineering estimates within the industry that cause these types of disparities due to insufficient materials and/or supplies and/or labor and other factors. Mr. Russell noted that the CWCB has not experienced this type of cost disparity in its projects. Mr. McLaughlin conveyed that these inflated prices have led many projects to utilize the Construction Manager at Risk “CMar” (value engineering) process.

Report of the Chair – Chair Heald commended Keith McLaughlin, Kirk Russell and Mike Brod for their presentation at the conference. Mr. Heald also reported that as the Water Quality Control Commission Liaison, he attended the Commission's last meeting.

Report of the Treasurer – Bob Wolff referred to Controller Justin Noll, who reported that Authority financials were provided in the Board's materials through June and included the periodic Project, Loan and Bond Status reports. Mr. Noll received updated data from PERA regarding the liability estimate and the total amount dropped from \$20 billion to \$11 billion and the Authority's portion that will be included in its financials will be approximately \$4 million. Updated information regarding the Authority's health care trust liability was also available and the Authority's portion that will be included in its financials is approximately \$195,000. Mr. Noll reached out to three insurers for cost estimates on Directors & Officers Liability Coverage and only one insurer, current insurance broker Arthur J. Gallagher, responded with a quote. The premium quote was included in the Board materials and totaled \$28,630 annually and was coverage for \$1 million aggregate limit of liability. The Authority self insures as agreed upon at a

Board meeting in 2001. Discussions continued about the benefits of opting for a specific policy for coverage or allotting a designated amount to self-insure and the cost and benefit(s) of each. After further discussion, Mike Brod agreed to reach out to the Special District Association to explore additional alternatives and to obtain additional information on an adequate amount of coverage. A motion was made to accept the Treasurer's report.

Motion: Bob Wolff
2nd: Steve Price
Vote: Motion carried

Report of Executive Director – Mike Brod introduced and welcomed Austin Reichel, the Authority's newest Financial Analyst, who began working at the Authority on August 1st. Mr. Brod referred to his written report and noted that a meeting was held with representatives from the WQCD regarding future administrative fee revenues and Mr. Brod is confident any subsequent discussions regarding permit fees on Drinking Water systems will incorporate a consideration of revenue generation for covering FTE for the Division, thereby relieving some of the burden on the SRF programs. Mr. Brod and Mr. McLaughlin attended a seminar hosted by Employers Council on the new Pay Equity Law that becomes effective January 1, 2021. Authority staff will continue to monitor that law for compliance and will seek further guidance from Employers Council.

WQCD Engineering Evaluation Discussion

Keith McLaughlin recalled the discussion back in April 2019 regarding a potential engineering position at the Authority and stated that Mike Beck was tasked with conferring with the WQCD and Authority staff and was instructed to bring back a proposal with viable options for the Board's consideration prior to the budget discussions in September. Mr. Beck referred to the August 21, 2019 Board memorandum included in the Board materials that outlined the process that included the following proposed solution: add a check-box as part of the selected alternative in the Project Needs Assessment form to verify that the applicant has included an evaluation of any potential regulatory changes over the next 20-years. Further, this check-box will serve as a reminder for the importance of long-range planning regardless of the project scope. Mr. Beck explained the change in 2012 that included projects receiving all the necessary approvals and deemed "shovel-ready" before reaching the SRF application stage. Additionally, for projects that the Division has concerns with, the Division proposed direct communication with the Authority Board at the next available Project Finance Committee meeting, Board Program Work Session, Board meeting or email, as necessary. This process will provide an opportunity for the Divisions' review engineer to answer questions that the Board may have. It was also noted that the Division will try and work with the applicant to resolve any issues prior to checking the second box and bringing any concerns to the Authority Board. After further discussion, Director Treese suggested adding the word "reasonably foreseeable" to the proposed check-box. Director Jones noted the Authority Board's focus should be based on affordability, not technology. The Board was generally in consensus with the proposed recommendation.

DOLA's Small System Technical Services Contractor Request

Mike Brod briefly described DOLA's Small Communities Technical Services pilot project to assist communities with development of the right water and wastewater project. This project was initially funded through DOLA's Energy/Mineral Impact Assistance Fund (EIAF) in the amount of \$100,000 to test this pilot program in calendar year 2019. DOLA staff developed and solicited the request for proposals and selected JDS – Hydro Inc. as the contractor. Mike Brod introduced Rachel Harlow-Schalk, Division Deputy Director, to explain the pilot program in greater detail. Ms. Harlow-Schalk referred to the written report and provided additional details of the program, stating that DOLA has paid \$29,000 for technical services directly serving five different communities and indirectly serving 19 others, and provided examples of assistance provided. Due to the deemed success in the program, DOLA is seeking \$100,000 to continue to fund the program in calendar year 2020 and annually thereafter, as the demand from small communities is expected to continue. Questions arose regarding the project's funding cycle, whether or not a true evaluation of the pilot project's success is available at this time as well as alternative options for future

funding. Director Jones expressed his concern that the project is still in the development stages and he would be comfortable with a one-time funding cycle and a re-evaluation to determine future funding requests. Director Berry stated the Board will be looking to staff to provide a recommendation for inclusion into the draft 2020 budget if the project is within the Authority's stated mission and goals. Mr. Brod confirmed that approval of the project into the adopted budget would require a revision to the current Memorandum of Agreement (MOA). The Board was in consensus with Director Berry's suggestion and will rely on staff's recommendation prior to publishing the draft 2020 budget.

Report of Legal Counsel –Karl Ohlsen had no separate legal report.

Drinking Water Revolving Fund

2019 Capitalization Grant Requirements

Jim Griffiths confirmed that the Authority received the DWRF Capitalization Grant on July 18, 2019, in the amount of \$21,741,000, a decrease of \$205,000 (approximately 1%) over last year. Mr. Griffiths confirmed that the grant conditions were virtually the same as last year, with the option (not a requirement) for the Green Project Reserve, and staff recommends that no grant funds be allocated to the DWRF Green Project Reserve. The FFY 2019 DWRF Capitalization Grant award requires that no less than 26% but no more than 50% of the grant be provided as additional subsidy, and staff recommends that 26% or \$5,652,660 of the Capitalization Grant be allocated to additional subsidy for the DWRF. The Colorado DWRF program utilizes additional subsidy for the Design and Engineering grant program and budgeted \$1,500,000 for Design and Engineering grants for calendar year 2019. Beginning in 2020, Additional Subsidy funds not budgeted for Design and Engineering grants will be provided as loan principal forgiveness during the year (rather than after year-end) as approved by the Authority Board at the June 1, 2018 Board meeting. A motion was made to accept staff recommendations for the DWRF Capitalization Grant requirements.

Motion: Steve Vandiver
2nd: Bob Wolff
Vote: Motion carried

Administrative Fee Discussion Update

Keith McLaughlin reported that the SRF Disadvantaged Communities subcommittee (consisting of members from DOLA, WQCD and the Authority) met to discuss the split between Category 1 (interest rate set at 1.5% of the established direct loan rate and terms up to 30 years) and Category 2 (interest rate set at 0.5% and terms up to 30 years) loans and found that the number of Category 2 loans vs. Category 1 loans were higher than intended. Before continuing with administrative fee discussions, the subcommittee is seeking direction from the Board whether to proceed with the two Category model or to modify the DAC criteria into one Category. Chair Heald expressed his desire to keep two Categories instead of combining them into one. Director Skram noted combining the Categories would create only one threshold to measure and may simplify the process. Director Jones expressed his support for the option that would simplify the Disadvantaged Communities process to decrease the need to bring business cases before the Board for consideration. Since the Board was unable to reach a general consensus, staff will review all alternative options and return to the December Board Program Work Session with options and recommendations.

Project and Matching Account Updates

Keith McLaughlin referred to the written report and stated that there were no rating or outlook changes since the last Board meeting and all agreements are in compliance with the required collateral percentages and eligible securities. The balance of the three remaining repurchase agreements is approximately \$6.2 million, and one is set to mature this year.

Status of Projects

Jim Griffiths reported staff is currently working on the 2020 DWRF budget and will submit it to Controller Justin Noll next week for incorporation in the Authority's draft budget. Mr. Griffiths continued the status report and stated that since the June Board meeting, two \$10,00 Planning Grants were issued to the City of

Wray and the Town of Aguilar and 11 DWRF Planning Grants remain available for 2019. No Design and Engineering Grants were issued since the last Board meeting and \$854,794 remains budgeted for 2019. Mr. Griffiths expects two loan applications to be presented at the October 4, 2019 Board meeting: Stratmoore Hills Water District (\$3,000,000) and the Town of Deer Trail (\$721,000). Mr. Griffiths concluded the report reviewing and discussing the SRF Vulnerability Assessment and noting the Authority's strong direct loan portfolio.

Water Pollution Control Revolving Fund

2019 Capitalization Grant Requirements

Jim Griffiths confirmed that the Authority received the WPCRF Capitalization Grant on July 2, 2019, in the amount of \$12,710,000, a decrease of \$129,000 (approximately 1%) over last year. Mr. Griffiths confirmed that the grant conditions were virtually the same as last year, with the 10% requirement for the Green Project Reserve. The FFY 2019 WPCRF Capitalization Grant award requires that no less than 10% but no more than 40% of the grant be provided as additional subsidy, and staff recommends that approximately 11.8% or \$1,500,000 of the Capitalization Grant be allocated to additional subsidy for the WPCRF. The Colorado WPCRF program utilizes additional subsidy for the Design and Engineering grant program and budgeted \$1,500,000 for Design and Engineering grants for calendar year 2019. Beginning in 2020, Additional Subsidy funds not budgeted for Design and Engineering grants will be provided as loan principal forgiveness during the year (rather than after year-end) as approved by the Authority Board at the June 1, 2018 Board meeting. A motion was made to accept staff recommendations for the WPCRF Capitalization Grant requirements.

Motion: Chris Treese
2nd: Judy Skram
Vote: Motion carried

Town of Dinosaur Disadvantaged Communities Business Case

Wesley Williams presented the Town of Dinosaur's request for consideration of a business case to determine if the Town qualifies as a Category 2 DAC to receive a 0.5% interest rate. Mr. Williams stated the Town of Dinosaur was previously approved at the June 7, 2019, Board meeting for a DAC Category 1 \$100,000 direct loan with an interest rate of 1.5%. The Town previously qualified under the previous DAC criteria for a DAC Category 2 and believes the Town's general economic condition has not improved and provided a letter to the Board detailing the factors that support its position. Mr. Williams reviewed portions of the Town's credit report and pointed out the factor that kept them from qualification as a DAC Category 2 was its MHI of \$36,750 (\$25,000 is the threshold). The SRF Committee could not reach a unanimous agreement on a recommendation so this request comes to the Board without a recommendation. After further discussion, a motion was made to not approve the Town of Dinosaur's business case for Category 2 Disadvantage Community status.

Motion: Webb Jones
2nd: Mike Berry
Vote: Motion carried, Director Heald opposed

Status of Projects

Keith McLaughlin reported that since the June Board meeting, no Planning or Design and Engineering Grants were issued. Additionally, two loan applications are expected at the October 4, 2019 Board meeting: Town of Hugo (\$2,000,000) and the City of Idaho Springs (\$3,000,000). Mr. McLaughlin stated that Guy Nagahama, the Authority's Financial Advisor, plans to be at the December 6, 2019 Board meeting to discuss the existing structure of the leveraged loan process as well as suggested modifications to the program to collect additional admin fees for future financing. Jim Marlin, the Authority's bond counsel, will be at the January 29, 2020 Board meeting to discuss the Authority's Bond Resolutions, in a manner similar to Helen Atkinson's previous presentation of the Official Statement. Mr. McLaughlin concluded his report by thanking Director Treese for the invitation to attend the Water Resources Review Committee tour of the Timbers Water and Sanitation District and learn about its two projects.

Small Hydropower Loan Program

Loan Approval Term Modification

Beth Fox reviewed the initiation of the Small Hydropower Loan Program implemented in 2008, as well as the modifications approved by the Board in 2017. Ms. Fox noted that currently borrowers have six months from Board approval to execute a loan and/or meet the conditions imposed by the Board or face a new application process. Unfortunately, the six-month loan approval can create an unnecessary burden for some borrowers and as such, the staff is requesting extending the loan approval from six months to one year. A motion was made to extend the loan approval to one year for all SHLP applications.

Motion: Mike Berry
2nd: Steve Price
Vote: Motion carried

City of Manitou Springs Loan Approval Modification, Resolution No. 19-24

Beth Fox stated the City of Manitou Springs notified Authority staff that its audit would be not be completed until the end of September and the previously approved loan would not be closing until after October 19, 2019 and the City is requesting to extend the loan approval deadline by six months. A motion was made to approve Resolution No. 19-24, extending the loan approval and execution deadline for the Small Hydropower loan to the City of Manitou Springs.

Motion: Webb Jones
2nd: Bob Wolff
Vote: Motion carried

Loan Application – Town of Gypsum, Resolution No. 19-25

Ian Loffert presented the Town of Gypsum's request for a SHLP loan in the amount of \$1,528,650 for a term of 30 years at an interest rate of 2.5%. The project consists of a new powerhouse containing one turbine/generating unit with an installed capacity of 85 kilowatts (kW), in an existing 8-inch diameter raw water pipeline prior to entering an existing water treatment plant; a bypass section through a pressure reducing valve; and associated appurtenances. The proposed project will have an estimated annual generating capacity of 650,000 kW-hours. The loan will be secured by water system revenue. Mr. Loffert reviewed key components of the credit report and noted this project was completed on August 15, 2019, and the Town is seeking a loan to replace its internal reserves through a reimbursement resolution currently in place. A motion was made to adopt Resolution No. 19-25, approving a SHLP loan for the Town of Gypsum and execution of a loan agreement and other documents necessary therefor.

Motion: Chris Treese
2nd: Steve Price
Vote: Motion carried

Status of Program

Ian Loffert briefly reviewed the terms of the Small Hydropower Loan Program and reported that to date, approximately 40 matching grants have been awarded, and 10 \$15,000 grants remain available for 2019. Additionally, five loans are outstanding within the program and staff is working to execute two additional loans.

Water Revenue Bond Program & Small Water Resources Projects

Status Report

Wesley Williams stated in the Small Water Resources Program, the City of Rifle pre-paid its 2003 Series A loan on June 4, 2018, and the bonds were called on June 28, 2019. With this prepayment, one outstanding loan is remaining in the Small Water Program for Parker Water & Sanitation District (2006 Series A). The final loan payment is scheduled to be paid by Parker Water & Sanitation District on October 1st and the final bond payment will be on November 1, 2019. The program will be dissolved after that final bond payment and the reserve fund of approximately \$8.5 million (plus accrued interest) will be returned from

the SWRP program to the Authority. Staff continues to seek funding opportunities for larger projects around the State in the Water Revenue Bond Program.

La Plata Future Projects Escrow & Animas-La Plata Project

Long Hollow Reservoir – Status Report

Mike Brod referred to the provided monthly status report from Eric Bikis of SGM Inc and noted the report included some interesting pictures taken via drone of the Bobby K. Taylor Reservoir @ 4,185 acre-feet. Mr. Brod also noted that the Bureau of Reclamation is still seeking final approval from the Commissioner's for final cost allocations but it likely won't happen before the end of the current Federal Fiscal Year. The Bureau will be sending the Authority a letter seeking a voluntary estimated payment. The Authority will close the Escrow Account after making the estimated final payment, although there is a possibility (unlikely) the Bureau will seek additional funds once final payment is submitted and would likely be an insignificant amount.

Unfinished Business

Nominating Committee

Chair Heald reported that Nominating Committee members met via conference call on July 25, 2019 and proposed the following recommendations for consideration at the October Board meeting, for the next 2-year term: the office of Chair Webb Jones, the office of Vice-Chair Bob Wolff and the office of Secretary/Treasurer Judy Skram. These recommendations will be formally adopted via motion at the conclusion of the October 4, 2019 Board meeting, in accordance with the Authority's Bylaws. Resolutions will be adopted to appoint Assistant Secretaries, an Assistant Treasurer and General Counsel. Mr. Brod confirmed that three Directors term end on October 1st and Directors Corkle and Vandiver have reapplied and Director Berry is still undecided about reapplying.

New Business

Legislative Issues and Other Business of Interest to the Authority

Mike Brod reported that Keith McLaughlin initiated conversations with Representative Roberts and Mr. Brod spoke with Senator Donovan about sponsorship of the Authority's Joint Resolution for the SRF Eligibility Lists and that process will be moving forward.

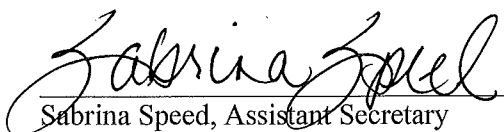
Arrangements for Future Meetings

The October 4, 2019, Board meeting will be held in Durango, at the ALP Association Building and staff would be arranging details of Thursday's tour and Friday's Board meeting and details would be forthcoming. Subsequent meeting will be in Denver for the December 6, 2019 meeting and Westminster for the January 29, 2020 meeting. A Budget and Audit Committee conference call will be scheduled in late September to review the Authority's draft 2020 budget prior to the October Board meeting.

Adjournment

Chair Heald thanked the Authority staff and adjourned the meeting at 5:25 p.m.

Respectfully submitted,



Sabrina Speed, Assistant Secretary