

**Colorado Water Resources
and
Power Development Authority**

BOARD MEETING MINUTES

April 19, 2019

Call to Order

Chair Roy Heald called the meeting to order at 9:05 a.m. in the Tabor Conference Room of the Warwick Hotel, located at 1776 Grant Street, Denver, CO 80203.

Roll Call and Declaration of a Quorum

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

Approval of Consent Agenda

Roy Heald announced that the following items had been placed on the Consent Agenda for Board consideration by the Project Finance Committee and Board Program Work Session: 7(a) Loan Applications for the Town of Center (Resolution No. 19-11) and the City of Craig (Resolution No. 19-12); 7(b) & 8(c) Design & Engineering Grant Allocation Percentage Amendment; 8(a) Loan Application for the Town of Mountain View (Resolution No. 19-15); 8(b) Town of Vilas, Principal Forgiveness or Grant Recommendation; 9(a) Loan Application for the City of Manitou Springs (Resolution No. 19-18); and 10(a) SWRP Loan Program Potential Transfer and Closeout. A motion was made to approve the Consent Agenda as presented.

Motion: Steve Vandiver
2nd: Steve Price
Vote: Motion carried

Approval of Minutes – March 1, 2019

The March 1, 2019, Minutes were presented for approval. Upon hearing no comments, a motion was made to approve the Minutes for March 1, 2019, as presented.

Motion: Bob Wolff
2nd: Mike Berry
Vote: Motion carried

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

Chair Roy Heald rearranged certain action items on the Agenda to accommodate Board members' schedules.

Authority Reports

Report of Executive Director – Mike Brod referred to his written report and reported that Senior Financial Analyst John Williams left the Authority to pursue a career in the mortgage industry. Mr. Williams had been with the Authority for over 5 years.

Construction Update

Mr. Brod also reported construction is on-going at the Authority's offices and workers continue to strive for a May 1st completion date. The June 7th Board meeting will likely be held at the Authority's newly constructed Conference Room.

Executive Director Succession Discussion

Chair Roy Heald reviewed the previous Executive Director succession discussion held at the Board Program Work Session on April 18, 2019. Director Heald reviewed the following recommendation from the Board Program Work Session: that only one candidate, Keith McLaughlin, be considered for the Executive Director position and direct the Personnel Committee to discuss terms of employment with Mr. McLaughlin for that position. The Personnel Committee would return to the Board prior to the June 7, 2019, Board meeting with a recommendation to the Board for the terms of employment. A motion was made to accept the recommendation from the Board Program Work Session.

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

Drinking Water Revolving Fund

Loan Application – Willow Brook Metropolitan District, Resolution No. 19-13

Ian Loffert presented the Willow Brook Metropolitan District's ("District") request for a direct loan through the DWRP loan program in the amount of \$1,750,000, at an interest rate of 2.5% for a term of 20 years. The District's proposed loan will be secured by a general obligation pledge. The project consists of replacing water distribution lines and associated appurtenances. Mr. Loffert reviewed key components of the credit report and noted this project received favorable recommendations from the Project Finance Committee and SRF Committee. Mr. Loffert also confirmed the District currently has no existing debt with the Authority. A motion was made to adopt Resolution No. 19-13, approving a direct loan to the Willow Brook Metropolitan District and execution of a loan agreement and other necessary documents therefor.

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

Water Pollution Control Revolving Fund

Loan Application – Timbers Water & Sanitation District Sewer Subdistrict, Resolution No. 19-16

Beth Fox introduced Timbers Water & Sanitation District Sewer Subdistrict ("District") President Ronald Krall and presented the Subdistrict's request for a Disadvantaged Communities direct loan through the WPCRF loan program in the amount of \$2,008,755, at an interest rate of 0.5% for a term of up to 30 years. Ms. Fox confirmed the proposed project is the 2nd Phase of a 2-Phase project and that Phase 1 commenced in the summer of 2018 with collection system improvements. This proposed project consists of the installation of a new mechanical wastewater treatment plant and decommissioning of the existing wastewater treatment plant. Voters authorized the District's additional debt up to \$500,000, for Phase 2 in November of 2018 after realizing a gap in financing for the project's completion due to increased costs. This project comes with no recommendation from the Project Finance Committee but a recommendation from staff for loan approval. Mr. Krall addressed the Board and thanked the staff of the three partnering agencies for their assistance during the loan process. After further discussion between the Board and the District, a motion was made to adopt Resolution No. 19-16, approving a direct loan to the Timbers Water & Sanitation District Sewer Subdistrict and execution of a loan agreement and other necessary documents therefor, subject to the District creating a separate enterprise sewer fund, incorporating this fund in the District's Financial Statements prior to loan execution and review of the District's revised permit alternatives and approval of the District's alternative permit limit by the Water Quality Control Division.

Motion: George Corkle
2nd: Webb Jones
Vote: Motion carried (Director Price exited during the discussion and did not return to the meeting)

New Business

Report of the Budget & Audit Committee and BKD 2018 Audited Financial Statements

Controller Justin Noll introduced Chris Telli (Audit Engagement Partner) and Marcie Ardan (Audit Engagement Director) of BKD LLP, the Authority's auditor, and they presented the Authority's 2018 Audited Financial Statements. Mr. Telli reported that BKD met with the Budget & Audit Committee via conference call on April 9th to discuss the draft audited financial statements. Mr. Telli stated that the Authority required no audit adjustments and noted that was a great accomplishment. There were also no material findings with the audit. Ms. Ardan addressed the Board and reviewed the required communications associated with performing the audit. There were no disagreements with Management and no difficulties encountered in performing the audit. Mr. Ardan confirmed the Authority received an unmodified (clean) opinion on the audit on both the financial statements and compliance. Noted changes to this year's audit was the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). On the single audit, BKD had no findings to report as they tested the Clean Water Program and found no material weaknesses or significant deficiencies in internal controls. Addressing a concern from the Board about a problem identified with a check that didn't have the requisite two signatures, Mr. Brod confirmed staff has improved its control process for check review prior to distribution. Mr. Noll then briefly reviewed the financial statements within the Authority's three funds: Water Operations Fund (which includes the Authority, Long Hollow, Small Hydropower, Small Water Resources, Water Revenue Bonds Program and Animas-La Plata), the Water Pollution Control Revolving Fund and the Drinking Water Revolving Fund. Mr. Noll noted the Authority's activities within 2018 and thanked all who participated in the audit process. The Authority also moved to a single audit year statement, rather than the comparative two-year, and will likely remain on a single year format. A motion was made to accept the results of the 2018 Audited Financial Statements and associated reports and to authorize staff to distribute the audited financial statements as required.

Motion: Bob Wolff

2nd: Judy Skram

Vote: Motion carried

Other Agency Reports

Report of CWCB –Kirk Russell, Finance Section Chief of the CWCB, distributed his written report and stated that three new Board members completed the Senate confirmation process and were seated at the last CWCB Board meeting. Those new Board members are Gail Schwartz (Colorado River Basin), Jackie Brown (Yampa-White River Basin) and Jessica Brody (City & County of Denver). The Board approved the sale of Chatfield Reservoir space to Dominion Water & Sanitation District via a \$4.2 million 30-year loan at 3.30% at its March meeting. The Board also approved loans to the Tunnel Water Company and the Central Colorado Water Conservancy District. The CWCB's Projects Bill passed with a 5-0 vote in the Senate Agriculture & Natural Resources Committee on April 4th and passed the full Senate on April 15th with a 35-0 vote. The Bill is now on the calendar for the House State Affairs Committee on April 23rd. The Projects Bill includes \$20 million for Water Pan Implementation (WPI) funding. Mr. Russell also reported that the 2nd and final round of FY18/19 Water Plan Grant applications were submitted February 1st. Funding recommendations will be presented to the CWCB Board for consideration at its May Board meeting. Mr. Russell concluded his report with a brief legislative update.

Report of WQCD – Mike Beck referred to the Division's written report and stated that in May 2019, the Water Quality Control Commission will hold a triennial review informational hearing for the basic standards for groundwater, Reg #41, and site-specific water quality standards for groundwater in Reg #42. Mr. Beck continued his report by stating that Martha Rudolph, former Director of Environmental Programs, has been replaced by John Putnam. Mr. Beck also reported briefly on the Division's work with the Town of Paonia on a water issue that led to the Town shutting off water to a portion of the Town, and the county declaring an emergency. The advisory was later rescinded with assistance from the CDPHE and town staff. The Division continues to work with Denver Water on a corrosion control issue. The two agencies are working together to find a viable solution. Mr. Beck reported that after a measured process, Colorado Rural Water has assumed responsibility for the Operator Certification Program and will now also implement on-line activities such as applications for recertifications, applications for testing, and other services. The

Division's Drinking Water Program's budget was also discussed, including the possibility of a new fee increase. Mr. Beck stated the annual reports for both SRF programs were submitted to the Authority staff to finalize prior to the April 30th deadline. Mr. Beck concluded his report with a brief update on the Clean Water project budget.

Report of DOLA – Scott Olene referred to the distributed report detailing the Energy Impact Assistance Fund (“EIAF”) awards resulting from the March hearings for Tier II projects. The April 1st applications have been submitted, and Tier I application requests total approximately \$500,000, and Tier II requests total approximately \$4 million. Mr. Olene stated the severance tax revenues for the current state fiscal year are expected to be robust. The drought situation around the state has improved due to an abundance of snow in the state and the Drought Task Force will meet again on May 6th. There will be an SRF outreach meeting in Buena Vista on May 8th and the biannual Funding Coordination Meeting is scheduled for May 1st at the Colorado Parks & Wildlife conference room in Denver.

Authority Reports

Public and/or Board Member Comment – Chair Roy Heald petitioned comments from the public and/or Board members. Upon hearing no comments, Chair Heald congratulated Director Bob Wolff for his reappointment and welcomed Director Chris Treese to the Authority Board of Directors. Mr. Heald also congratulated Keith McLaughlin on being named the next Executive Director of the Colorado Water Resources & Power Development Authority.

Report of Treasurer – Treasurer Bob Wolff referred to the Controller to provide the Treasurer's report. Mr. Noll stated that no financial statements were included in the Board materials and the accounting staff continues to process 2019 transactions. The Accounting staff is also providing assistance to the finance department to compile the Preliminary Official Statement on the upcoming SRF bond issue. A motion was made to accept the Treasurer's report.

Motion: Bob Wolff
2nd: George Corkle
Vote: Motion carried

Report of Executive Director, continued – Mike Brod also congratulated Director Wolff on his recent reappointment and welcomed Director Treese to the Authority Board. Mr. Brod also mentioned that Directors Vandiver, Berry and Corkle's terms will expire on October 1, 2019, and that historically reappointment applications were submitted to the Boards & Commissions Office in June. Mr. Brod will provide the link to the three Directors to submit their reappointment applications, if so inclined. Mr. Brod also noted that the October Board meeting is designated as the Authority's annual meeting, as defined by the Authority's Bylaws, and the new Officers (Chair, Vice-Chair, Secretary/Treasurer) will be named at that meeting. Mr. Brod proposed the Chair appoint a Nominating Committee at its June 7, 2019, Board meeting and have the Committee meet to propose new Officers at the August 21, 2019, Board meeting. Any Board member wishing to fill an Officer vacancy should make those intentions known to the Nominating Committee.

Report of Legal Counsel – Chair Heald noted that in the interest of time, the scheduled Conflict of Interest Policy Discussion agenda item will be delayed and possibly put off to a future Board meeting. Mr. Ohlsen noted that he continues to work with staff on various opinions for loan agreements.

Drinking Water Revolving Fund & Water Pollution Control Revolving Fund

State Revolving Fund 2019 Series A Revenue Bond Resolution No. 19-14

Jim Griffiths referred to the Bond Resolution provided in the Board materials and provided a brief history of the operations in the Water Pollution Control Revolving Fund “WPCRF” and Drinking Water Revolving Fund “DWRF” programs and how the Authority has issued bonds in the past. This proposed bond issue is

unique, as it combines three borrowers from both SRF programs into a single bond issue. The three borrowers are: Boxelder Sanitation District (WPCRF), City of Gunnison (WPCRF) and the Town of Wellington (DWRP) and each project was previously approved by the Board. The combined project costs of all three borrowers is approximately \$68 million, and the Authority expects to issue approximately \$20 to \$25 million in bonds to help fund the three loans. Mr. Griffiths reviewed the parameters as outlined in the Bond Resolution and noted that the bond resolution was written for a bond amount not to exceed \$33,000,000, the interest rate not to exceed 4.5%, the final maturity date not be later than 2052, and the program funds (consisting of Capitalization Grant and reloan funds) not to exceed \$55,000,000. Mr. Brod stated this was the first combined issue the Authority has undertaken and the benefit to the borrowers and the Authority is cost of issuance savings. Authority staff expects there will be additional combined issuances in the future. A motion was made to adopt Resolution No. 19-14.

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

Drinking Water Revolving Fund

Project and Matching Account Updates

Jim Griffiths 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. Mr. Griffiths stated that three guaranteed investment contracts remain in force, and one was collapsed in the last refunding. The balance of the three remaining repurchase agreements is approximately \$6.2 million.

Status of Projects

Jim Griffiths provided a brief history of the DWRP program for the benefit of the new Board member and stated that, to date, 261 loans have been executed totaling approximately \$661 million. The DWRP program's inception was in 1997. Since the March 1, 2019 Board meeting, no Planning Grants were awarded, and 13 DWRP Planning Grants remain available for 2019. Also, since the March 1, 2019 Board meeting, no Design and Engineering Grants were awarded, and \$1,154,749 remains budgeted for 2019 D&E Grants. One application is expected to be presented for funding consideration at the June Board meeting from the Deer Creek Water District.

Water Pollution Control Revolving Fund

Status of Projects

Keith McLaughlin provided a brief history of the WPCRF program for the benefit of the new Board member and stated that, to date, 317 loans have been issued totaling approximately \$1.2 billion. The WPCRF program holds the largest portfolio of loans, mainly due to the fact that it has been operating since 1989. The WPCRF program's two funding sources are EPA Capitalization Grants and Authority reloan dollars. Mr. McLaughlin then reported that since the March 1, 2019 Board meeting, no Planning Grants were awarded, and 15 WPCRF Planning Grants remain available for 2019. Also, since the March 1, 2019 Board meeting, no Design and Engineering Grants were awarded, and \$612,046 remains budgeted for 2019 D&E Grants. Authority staff anticipates seeking additional Design and Engineering Grant funding at a future Board meeting. Two applications are expected to be presented for funding consideration at the June Board meeting from the Town of Dinosaur and the Town of Olney Springs. Mr. McLaughlin concluded his report by stating that June Board meeting will include a presentation from the Authority's disclosure counsel covering the Official Statement, the Preliminary Official Statement and Continuing Disclosure.

Small Hydropower Loan Program

Status of Program

Beth Fox provided a brief history of the Small Hydropower Loan Program for the benefit of the new Director. The SHLP was authorized in 2008 and was initially funded with \$10 million of un-restricted Authority cash. There were changes to the SHLP program two years ago, including extending the loan

term from 20 to 30 years, increasing the loan amount from \$2 million to \$5 million and increasing the eligible projects from 5 megawatts or less to 10 megawatts or less. Five loan have been executed in this program to date and Authority staff continues to seek opportunities to provide financial assistance to hydropower projects.

Water Revenue Bonds & Small Water Resources Projects

Status Report

Wesley Williams provided a brief history of the Water Revenue Bonds Program and reviewed the basic terms of the program, including the cost of issuance subsidy the Authority provides (\$250,000 per borrower). The last bonds issued in the WRBP program was in 2014 for the City of Fountain. Mr. Williams noted there has been an uptick of interest in the program due to the completion of the Colorado Water Plan.

La Plata Future Projects Escrow & Animas-La Plata Project

Long Hollow Reservoir – Status Report

Mike Brod reported that he checked the storage level reading on Long Hollow Reservoir and they're currently storing water at approximately 2,500-acre feet. The Authority received a letter from the La Plata Water Conservancy District regarding the O&M Reserve that the Authority previously agreed to hold. Mr. Brod is awaiting the instructions from the District to transfer the funds. There are outstanding construction issues that must be worked through with the District. A meeting was held with the Bureau of Reclamation, the City of Durango and the Animas-La Plata District to discuss the final cost allocations on the Animas-La Plata Project and arrange for payment before the end of the Federal fiscal year on September 30th.

New Business

2018 Authority Annual Report, Resolution No. 19-18

Mike Brod reported that the Authority's Annual Report is a summary of the Management's Discussion and Analysis ("MD&A") report and Audited Financial Statements. Mr. Brod thanked the Authority staff for its assistance compiling the Annual Report, and stated the cover photo is the Santa Rita Water Reclamation Facility in Durango, Colorado. Mr. Brod explained that the Board is required to adopt a resolution to approve the Annual Report. A motion was made to adopt Resolution No. 19-18, adopting the Annual Report for Fiscal Year 2018, and authorize its transmittal to the appropriate entities.

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

Director Wolff exited at 11:52 a.m. following the vote.

Legislative Issues and Other Business of Interest to the Authority

Mike Brod reported that there have been some discussions about a significant increase in Federal funding for the Clean Water Program, but specific details have yet to be announced. Director Treese reported on a bill to authorize the legalization of sports betting in Colorado, and 100% of the net revenues would be directed to the State Water Plan and potential demand management program for compact compliance.

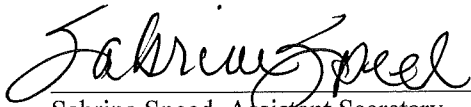
Arrangements for Future Meetings

The June 7, 2019, meeting will be held in Denver at the Authority's offices, if construction is complete. There will be a full agenda for the Board Program Work Session so it may require an earlier start time. Mr. Brod stated the August 21, 2019, Board meeting will be held in Steamboat Springs, in conjunction with the Colorado Water Congress' Summer Conference, and the October 4, 2019, Board meeting will be held in Durango, at the ALP Association Building.

Adjournment

Chair Roy Heald thanked the Authority staff and adjourned the meeting at 12:01 p.m.

Respectfully submitted,

A handwritten signature in cursive script, reading "Sabrina Speed". The signature is written in black ink and is positioned above a horizontal line.

Sabrina Speed, Assistant Secretary

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