

**Colorado Water Resources
and
Power Development Authority**

BOARD MEETING MINUTES

August 28, 2020

Call to Order

Chair Webb Jones called the meeting to order at 9:01 a.m. via video and audio tele-conferencing due to COVID-19 related restrictions.

Board Member Identification and Declaration of a Quorum

Board members present: Webb Jones (Chair), Bob Wolff (Vice-Chair), George Corkle, Mike Fabbre, Roy Heald, Steve Price, Chris Treese and Steve Vandiver. Secretary/Treasurer Judy Skram was absent. A quorum was declared with eight Board members present.

Approval of Consent Agenda

Chair Jones reviewed the items for consideration on the Consent Agenda: 8(a) Loan Applications for the Town of Genoa (Resolution No. 20-25) and the City of Las Animas (Resolution No. 20-26). Director Heald requested the Town of Genoa (Resolution No. 20-25) be removed from the Consent Agenda for further discussion, leaving only the City of Las Animas (Resolution No. 20-26) for consideration. A motion was made to accept the Consent Agenda, as amended.

Motion: Roy Heald
2nd: Steve Vandiver
Vote: Motion carried

Introduction of Guests

Chair Jones instructed Office Manager Sabrina Speed to keep a list of all participants on the video and audio tele-conferencing call for the record.

Approval of Minutes – June 5, 2020

The June 5, 2020, Minutes were presented for approval. A motion was made to approve the Minutes for June 5, 2020, as presented.

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

Other Agency Reports

Report of Colorado Water Conservation Board (“CWCB”)

Kirk Russell, Finance Section Chief of the CWCB, referred to the provided written report and stated the CWCB met virtually on July 15th and 16th due to the COVID-19 pandemic. At that meeting, the CWCB Board approved three new agriculture related loans, and no municipal loans were included in the loan approvals. The Board also approved \$8.5 million in Water Plan Grants that were submitted prior to the application date of February 1, 2020. Mr. Russell continued the agency report with an update on the state budget. The CWCB’s Construction Fund has been “tagged” for a \$33 million Emergency Reserve appropriation for FY 20/21. If necessary, this \$33 million may be needed upon a disaster declaration by Governor Polis to address a disaster such as COVID-19 pandemic response or emergency wildfire support. The CWCB’s interest rates hit a new historic low, with the 30-year rate for agricultural borrowers at 1.25%. Mr. Russell concluded his agency report by stating the next CWCB Board meeting will be held virtually

and will include a meeting of the Finance Committee to begin the process of preparing project funding requests in the 2021 Projects Bill.

Report of Water Quality Control Division

Ron Falco, Safe Drinking Water Program Manager, referred to the written report and stated the Water Quality Control Commission will hold an administrative action hearing for the 2021 annual Intended Use Plans (“IUP”) on October 13, 2020. The IUPs will be out for public comment on September 7, 2020. Mr. Falco also reported that the transition from in-person meetings to remote access for all rulemaking hearings and briefings the Water Quality Control Commission held, has went well and the Commission has experienced good participation. Most of the Water Quality Control Division staff is also working remotely and that will likely continue until further notice. Additionally, most of the coaching and training activities have taken place remotely via webinar and/or telephone and that process has been successful. Mr. Falco concluded his report with an update on the Town of Louisville and stated they were victim of a recent ransomware attack from hackers and ultimately paid the ransom fee. There was a subsequent attack on another utility recently, and that utility is still exploring its available options for resolution.

Report of Department of Local Affairs

Scott Olene, Manager of Local Government Services, referred to the written report and stated the Energy and Mineral Impact Assistance Program Tier I and Tier II awards were made, and recipients were notified. Due to reduced funding availability in State FY 2021, there will be only two application cycles for \$15,000,000 each, instead of the traditional three application cycles. The application deadlines will be October 1 for a mid-November Tier I award determination and late-January 2021 for Tier II award determination and March 1, 2021 for late-April Tier I award determination and mid-July 2021 for Tier II award determination. Mr. Olene provided an update on the Department’s outreach and education activities and stated a joint presentation will be made at the Special District Association of Colorado’s annual conference in September on Co-Funding Water and Wastewater Projects. The presentation will be provided by staff from the Authority, DOLA and USDA. Mr. Olene concluded the agency report with an update on the Small Communities Technical Services Pilot Program and referred to the provided written report in the Board materials. Mr. Olene noted that the Division is likely to seek additional funding in its next budget request to the Authority to continue this pilot program, as it has been deemed successful by DOLA.

Authority Reports

Public and/or Board Member Comment

Director Heald stated an issue arose during the Town of Genoa’s credit review at the Project Finance Committee and that prompted him to ask to remove it from the Consent Agenda and that he would like to discuss it in detail at the appropriate time during today’s meeting. Director Wolff also thanked the Board for its robust discussion at the Board Program Work Session. Chair Jones thanked all the Board members for attending the last Project Finance Committee meeting and stated it helped to foster the discussion and saw value in having all Board members in attendance, particularly with numerous credits. Chair Jones also noted many Board members were scheduled to attend the upcoming Colorado Water Congress Virtual Summer Conference and asked Board members in attendance to share any information learned that may be of value to the Authority and noted there is still time to sign up if interested.

Report of the Treasurer – In the absence of Secretary/Treasurer Skram, Controller Justin Noll referred to the provided Treasurer’s Report and reviewed certain key elements contained within. Mr. Noll stated financials were provided through June 2020 and reviewed the state match totals for the 2020 Capitalization Grants, noting approximately \$2.5 million in the WPCRF and \$4.4 million in the DWRF. Additionally, the Authority’s pension liability for 2020 will be approximately \$3.4 million, representing an approximate \$0.6 million decrease from 2019. PERA’s total liability went from \$11 billion to \$9.7 billion. The Accounting staff is preparing for the September 1st debt service for both the DWRF and WPCRF programs. Mr. Noll also reported on the Authority’s plan to purchase managed devices (laptop computers) for half of the Authority staff by the end of the current year and budget for the other half to receive managed devices for

added security in 2021. Mr. Noll followed up on Director Skram's question about a possible rebate for staff's parking at Logan Tower not utilized during the pandemic and stated the company was not receptive to the rebate suggestion and instructed Mr. Noll to refer to the contract. A motion was made to accept the Treasurer's report.

Motion: Roy Heald
2nd: Chris Treese
Vote: Motion carried

Report of Executive Director – Keith McLaughlin referred to the written report provided in the Board materials and shared congratulations and pictures of Greyson Fox Williams, born July 28, 2020, to Financial Analyst Beth Williams and former Senior Financial Analyst John Williams. Mr. McLaughlin also congratulated Accounting Technician Jennifer Flores, who is celebrating her 14th year work anniversary today. Mr. McLaughlin also extended congratulations and words of gratitude to Finance Director Jim Griffiths, who was named to EPA's Region 8 Workgroup. Mr. McLaughlin updated the Board on PERA's decision to discontinue health insurance for Anthem Blue Cross and Blue Shield members and that all current Anthem plan members will have to switch their health insurance plans to Kaiser Permanente if they continue insurance through PERA. Mr. McLaughlin noted that 1/3 of the Authority staff currently have Anthem coverage and he was actively seeking alternate coverage options, if available. Director Heald noted that the HUB International, the insurance broker previously recommended for Directors & Officers Insurance, can also provide assistance with health insurance. Finally, Director Fabbre thanked Mr. McLaughlin and staff for setting up the email domains for Board members. Mr. McLaughlin stated that option would remain available for others if interested.

Resolution of Appreciation for Patrick Pfaltzgraff, Resolution No. 20-22

Mr. McLaughlin referred to Resolution No. 20-22, a Resolution of appreciation to Patrick Pfaltzgraff, former Executive Director of the Colorado Department of Public Health and Environment's Water Quality Control Division. Mr. Pfaltzgraff left the Division earlier this year and the Board and staff would like to express its appreciation for his partnership during his tenure. For the record, the Resolution was read in its entirety and a motion was made to adopt Resolution No. 20-22.

Motion: Roy Heald
2nd: Steve Vandiver
Vote: Motion carried

Watershed Protection and Forest Health Program Update

Mr. McLaughlin briefly reviewed the Board's previous discussion on the Watershed Protection and Forest Health Program ("WPFH") and referred to the August 24, 2020, memorandum in the Board materials. At the Authority's June 5, 2020, Board meeting, Authority Directors requested Authority staff and general counsel to ascertain the Authority's ability to issue WPFH grants, similar to the ones issued under the SRF Programs. After review, it was determined the Authority's statute does not explicitly authorize WPFH grants or principal forgiveness. The WPFH statute does, however, allow the Authority to make loans from bond proceeds subject to term and conditions deemed by the Authority to be consistent with the purpose of the loan. Further, the Authority may provide certain incentives and subsidies to borrowers under a WPFH program, utilizing one of two methods. First, the Authority can contribute its own funds to provide subsidies (including grants) to borrowers by issuing bonds under current legislation. Second, the Authority could provide uncommitted funds, funds provided by the state, or funds obtained as part of the proceeds of a bond issuance under WPFH in a newly-created debt service reserve fund for watershed protection and forest health projects. Earnings from this reserve could be used to subsidize (including grants) WPFH projects. After careful review of both viable options, the concern of sustainability was discussed. The Authority would likely need to commit a large amount of resources to establish either a debt service reserve fund or an internal fund from which it could provide subsidy to governmental agencies borrowing for WPFH projects. The Authority doesn't expect an entity to apply for funding through this program until next year so there is likely time to explore all funding alternatives.

Equal Pay Act Update

Office Manager Sabrina Speed provided a brief update on Colorado SB 19-085, concerning the creation of the “Equal Pay for Equal Work Act” in order to implement measures to prevent pay disparities. This law becomes effective January 1, 2021, and the Authority has taken a proactive approach to be in compliance with this law. In addition to requiring employers to provide equal pay for substantially similar work, other components of the law require employers to maintain records of job descriptions and pay history on all employees for the duration of their employment plus two years, requires employers to provide notice of all promotional opportunities to all employees of an organization and also prohibits the use of pay history as a factor for prospective employees. The Authority’s management team has had several meetings regarding this new legislation and Mr. McLaughlin signed an Engagement letter with Employers Council to conduct a Proactive Pay Equity Analysis. This was signed with the approval from both Chair Jones and Director Heald, Chair of the Personnel Committee. The Authority submitted the data collection forms and engagement letter and were placed in the queue for processing on July 16, 2020. Future updates will be provided as necessary.

Report of Legal Counsel

Karl Ohlsen reported that the Glenview Owners Association loan agreement is near completion and staff is working through one final debt service issue with US Bank. Mr. Ohlsen commended Financial Analyst Ian Loffert for his untiring efforts seeing this project through completion as it was a long, difficult process. Mr. Ohlsen also reported he’s working with Keith McLaughlin on the Watershed Protection and Forest Health Program and asked Board members to contact him if they wanted to discuss the statutory interpretation further.

Following the legal report, Mr. McLaughlin notified Chair Jones that representatives from the Water Quality Control Division joined the call and suggested Agenda item 8(d) PFAS presentation and Discussion be moved up, if the Board was favorable.

Water Pollution Control Revolving Fund

PFAS Presentation & Discussion

David Dani and Meg Parish from the Colorado Department of Public Health & Environment Water Quality Control Division were introduced and started the per- and polyfluoroalkyl substances (“PFAS”) presentation. Mr. Dani began the presentation with an update on the two new bills addressing PFAS. House Bill 20-1119, providing the authority to regulate PFAS and State Bill 20-218, authorizing fees to help impacted communities. Mr. Dani also reported on the status of SB20-218 Cash Fund, as of August 2020 and said the fund started collecting fees on July 1 and it will be several months until there are revenue projections for a grant fund. The plan will likely start the grant program in 2021. The presentation continued with the known PFAS facts in Colorado and provided the 2020 drinking water sampling project results. Meg Parish continued the presentation with an update on Policy 20-1, which limits PFAS entering state waters, and reviewed implementation methods. Chair Jones thanked Mr. Dani and Ms. Parish for the informative presentation. Director Heald, who has had extensive experience with PFAS issues at Security Water & Sanitation District opined that it was a painful and expensive process.

The meeting returned to its regular agenda order.

Prior to the consideration of loan applications, Chair Jones noted that all Board members were present on the Project Finance Committee conference call on August 24, 2020 and participated in the discussions and heard the Committee’s recommendations. As such, Chair Jones noted staff would move rather quickly through the loan applications unless the Board wanted to discuss any project in greater detail.

Drinking Water Revolving Fund

Town of Deer Trail, Resolution No. 20-23

Ian Loffert presented the Town of Deer Trail's request for a Disadvantaged Communities supplemental direct loan through the DWRF loan program in the amount of \$250,000, at an interest rate of 0.5%, for a term of 30 years. The project consists of improvements to the water treatment system include raw water sample taps, valves, and chlorine storage tank upgrades. Distribution system upgrades include adding multiple loops, replacement of the existing I-70 pipeline crossing, new fire hydrants, a service line to town hall and distribution system entry point sample hydrants for the wells. The project also includes storage tank improvements and back flow prevention through the addition of dual check assemblies for all customer meter pits on the east side of I-70. The Town is utilizing a Design, Bid, Build model for its bid process. This project received a favorable recommendation from members of the Project Finance Committee and SRF Committee. A motion was made to adopt Resolution No. 20-23, approving a drinking water direct loan to the Town of Deer Trail and execution of a loan agreement and other necessary documents therefor.

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

Town of La Jara Debt Service Deferment Request

Keith McLaughlin briefly reviewed the Town of La Jara's deferment request for the November 1, 2020, and May 2021, debt service payments for the 2005 DWRF, 2006 WPCRF, and 2015 WPCRF loans due to COVID-19 outbreak-related revenue concerns. If approved, future debt service payments will not increase, because the deferred payment will be added to the end of the current repayment schedule, which is possible because the Town's loans all have 20-year terms. This request received a favorable recommendation from the Board Program Work Session on August 27, 2020 however, to approve only the November 1, 2020 payment deferment. A motion was made to approve the Town's deferment request for the November 1, 2020, debt service payment only at this time.

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

Town of Larkspur Debt Service Deferment Request

Similarly, Jim Griffiths reviewed the Town of Larkspur's deferment request for the November 1, 2020, and May 1, 2021, debt service payments for the 2014 DWRF loan due to COVID-19 outbreak-related revenue concerns related to the cancelled Colorado Renaissance Festival. If approved, future debt service payments will increase because this loan carries and is limited to a 30-year term. Director Fabbre voiced his concern about this setting a precedent and being consistent. This request received a favorable recommendation from the Board Program Work Session on August 27, 2020, to approve only the November 1, 2020, and May 1, 2021 payments. A motion was made to approve the Town's deferment request for the November 1, 2020 and May 1, 2021 payments.

Motion: Bob Wolff
2nd: Chris Treese
Vote: Motion carried on a roll call vote 7-1, Director Corkle opposed

Administrative Fee Discussion

Jim Griffiths reviewed the Board's previous discussions on the Authority's use of administrative fees to operate the WPCRF and DWRF programs and the Board Program Work Session recommendation to approve the four recommendations outlined in the August 28, 2020 memorandum in the Board materials. The four action items include: (1) issuing a large, negotiated loan (similar to a direct loan), (2) decreasing the leveraged loan subsidy (from 70% of the AAA bond market rate to 75% of the AAA bond market rate), (3) applying excess interest as administrative fees, and (4) establishing a leveraged loan floor. Mr. Griffiths noted these actions would be implemented at staff's discretion and items (1) and (3) could be implemented immediately and items (2) and (4) would require a change to the Intended Use Plan ("IUP"). The Water Quality Control Commission must approve the proposed IUP changes in October 2020 for these changes to be implemented in 2021. Director Heald questioned if the Board would have the opportunity to further

discuss these changes and Mr. Griffiths confirmed that the Board would have an opportunity when considering approval on individual loans, as applicable. Director Heald followed-up by asking if the IUP could be broadened to include a range for the leverage loan subsidy of 0.70 to 0.80, rather than an individual number, and Mr. Griffiths stated the language that would be incorporated into the IUP would provide even greater flexibility so future changes could easily be adopted without revising the IUP. Chair Jones questioned if the EPA would allow such vague language and Mr. Griffiths stated the EPA is prescriptive on the IUP requirements, but not about specific language contained within. It was also noted that any prospective changes are discussed with the EPA as necessary prior submitting to the Water Quality Control Commission for adoption. A motion was made to authorize staff to implement the four changes described above.

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

Disadvantaged Communities (DAC) Category Adjustment

Jim Griffiths reviewed the Board's previous discussions on changing the Disadvantaged Communities (DAC) criteria to move the measurements of the metrics S4b and S5b to the 80th percentile from the median percentile for new DAC loans going forward, starting in 2021, and continue to monitor the need to address future changes. S4b is defined as the loan burden relative to the median home value and S5b is defined as the system cost relative to the median household income. This change would help to evenly distribute the number of DAC borrowers between Category 1 (current interest rate of 1.5%) and Category 2 (current interest rate of 0.5%) as there are currently significantly more Category 2 DAC borrowers than Category 1 DACs. This change will effectively make it more difficult to qualify as a Category 2 DAC. The proposed change received a favorable recommendation from the Board Program Work Session. A motion was made to change the line between Category 1 and Category 2 DACs as outlined in the August 28, 2020, memorandum.

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

Status of Projects

Austin Reichel referred to the Set-aside update provided in the Board materials and reported that one supplemental loan application is expected at the October Board meeting from the City of Lamar in the amount of approximately \$1,089,200. The City of Manitou Springs is also expected to submit a loan application for consideration at a future Board meeting. Since the June Board meeting, one Planning Grant was issued to the City of Salida for \$10,000. There is \$120,000 remaining for 2020 Planning Grants in 2020. Additionally, since the June Board meeting, one Design & Engineering Grant was issued to the Town of Eckley in the amount of \$135,209, and \$681,939, remains available for 2020. Mr. Reichel stated that the Glenview Owners' Association, the first private, not-for-profit loan issued by the Authority, added one lot approved by the County prior to loan execution and this helped the Association avoid a dues increase. Mr. Reichel concluded the DWRP status report by stating that Denver Water has hired an independent consultant to assist them with meeting the Federal requirements associated with the SRF program for its lead service line project.

Water Pollution Control Revolving Fund

Loan Application – City of Evans

Ian Loffert presented the City of Evans' request for a leveraged loan through the WPCRF loan program in the amount of \$8,600,000, plus cost of issuance, at an interest rate of 70% of the market rate on the Authority bonds (conservatively estimated interest rate of 2.5%), for a term of 20 years. The City will be pledging stormwater enterprise revenues for loan repayment. The project consists of construction of two major stormwater construction projects designed to mitigate severe localized flooding and exercise best management practices that will reduce the discharge of pollutants from the system. The project will be

completed through a Construction Manager at Risk (“CMAR”) contract and includes 10% of the total project cost as the contingency. The City’s request received a favorable recommendation from both the Project Finance Committee and SRF Committee. Mr. Loffert confirmed the loan agreement will include a condition that states the City cannot draw funds until its Water Use Efficiency Plan is fully approved and on file at the Colorado Water Conservation Board. The proposed loan is necessary to reduce flooding of residential and commercial properties during heavy precipitation events. The City increased stormwater rates substantially in 2019, so no additional rate increases are required for the proposed loan. A motion was made to approve and begin negotiating a WPCRF leveraged loan with the City of Evans in the amount of \$8,600,000, plus cost of issuance at 70% of the interest rate received by the Authority on the associated bond issue for a term of 20 years plus construction, and to authorize staff to begin drafting a preliminary official statement incorporating the City.

Motion: George Corkle
2nd: Roy Heald
Vote: Motion carried

Loan Application – Town of La Veta, Resolution No. 20-24

Ian Loffert reported the Town of La Veta executed a \$1.5 million WPCRF DAC direct loan in October 2018. Due to increasing costs associated with the project, construction delays and only one initial over budget bid received, the Town is seeking a supplemental DAC loan in the amount of \$1.9 million, plus a request for a one-time direct loan limit waiver of an additional \$400,000 increase to the current WPCRF direct loan limit of \$3,000,000. The Town is pledging sewer system revenue for repayment. The project scope has not changed and consists of a new mechanical wastewater treatment facility and associated appurtenances. The bid process is design, bid, build and contingency is 5% of the total project cost (approximately \$200,000). The Town’s request comes with a favorable recommendation from both the Project Finance Committee and SRF Committee. The proposed supplemental loan is necessary to build a new wastewater treatment facility that will remove ammonia and inorganic nitrogen and satisfy the requirements of its discharge permit. The Town is subject to a compliance schedule and constructing this project will keep the system on course to meet its requirements. A motion was made to adopt Resolution No. 20-24, approving a wastewater supplemental direct loan to the Town of La Veta and execution of a loan agreement and other documents necessary therefore, subject to the Town increasing user rates sufficiently to meet the Authority’s coverage requirement and a one-time direct loan limit waiver request of an additional \$400,000.

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

Following the vote, Director Treese exited the meeting.

Loan Application – Town of Genoa, Resolution No. 20-25

Austin Reichel presented the Town of Genoa’s request for a Disadvantaged Communities direct loan through the WPCRF loan program in the amount of \$50,000, at an interest rate of 0.5%, for a term of 20 years. The Town is pledging sewer system revenue for repayment. There will not be a rate increase required for the proposed loan. The project consists of replacing the polypropylene liners in three lagoon cells. The bid process will be a design, bid, build with a 15% contingency. This project received a favorable recommendation from both the Project Finance Committee and SRF Committee. Mr. Griffiths added that following the favorable recommendation from the Project Finance Committee, Director Heald noted the high interest rate on the Town’s USDA loan and would like to discuss possible refinancing of the USDA loan to further benefit the Town. If the Authority was to refinance this USDA loan within the SRF program, the requirements of the initial loan in 2004 would apply. After initial review, it appears the Town would not meet the 2004 SRF requirements. As an alternative, Mr. Griffiths noted the Board has, on occasion, utilized Authority resources to fund refinancing opportunities such as this. Director Heald suggested taking the items in succession and made a motion to approve Resolution No. 20-25, approval of a wastewater

direct loan to the Town of Genoa and execution of a loan agreement and other documents necessary therefor.

Motion: Roy Heald
2nd: George Corkle
Vote: Motion carried

Following the vote, Director Heald suggested the Authority offer the Town the opportunity to refinance its relatively high interest USDA loan (4.5%) for the liners that are no longer serviceable. Director Heald noted this would be a one-time action and didn't believe this would set a precedent for future borrowers. The refinancing would utilize Authority funds and not be associated with the SRF program. Mr. Griffiths confirmed the outstanding loan balance is approximately \$119,800 and the proposed refinancing would be a negotiated rate between 1.5% and 2.5% for a term of 20 years. If accepted, the Town's request would be presented to the Board as early as the October Board meeting. A motion was made to direct staff to proceed with the proposed refinancing for the Town of Genoa's USDA loan.

Motion: Roy Heald
2nd: Steve Vandiver
Vote: Motion carried

Loan Application – West Jefferson County Metropolitan District, Resolution No. 20-27

Jim Griffiths presented the West Jefferson County Metropolitan District's request for a loan through the WPCRF loan program in the total amount of \$6,000,000, comprised of a \$3,000,000 Green Project Reserve direct loan and a \$3,000,000 leveraged loan. The Green Project Reserve direct loan will be issued at an interest rate of 0.5% for a term of up to 30 years. The accompanying leveraged loan will be issued at an interest rate of 70% of the market rate on the Authority's 2020 Series B State Revolving Fund Revenue bonds, for a term of up to 30 years. The District's request received a favorable recommendation from the Project Finance Committee. Mr. Griffiths also noted no rate increase is necessary as the District has ample reserves of approximately \$5 million. Mr. Griffiths also noted that the Authority allocated \$5 million for the Green Project Reserve account for 2020 and the City of Sterling qualified for \$3 million of that amount and only \$2 million remains available. If approved, this loan to West Jefferson County Metropolitan District would require an additional \$1 million allocation to the Green Project Reserve fund. A motion was made to approve Resolution No. 20-27, approval of a wastewater Green Project Reserve direct loan to the West Jefferson County Metropolitan District and execution of a loan agreement and other documents necessary therefor.

Motion: George Corkle
2nd: Steve Vandiver
Vote: Motion carried

A subsequent motion was made to approve and begin negotiating a WPCRF leveraged loan with the West Jefferson County Metropolitan District in the amount of \$3,000,000, plus cost of issuance at 70% of the interest rate received by the Authority on the associated bond issue for a term of up to 30 years and to authorize staff to begin drafting a preliminary official statement incorporating the District.

Motion: Roy Heald
2nd: Steve Price
Vote: Motion carried

Following the vote, Mr. McLaughlin suggested an additional motion to approve the increase of \$1,000,000, to the current, allocated amount in the Green Project Reserve fund. A motion was made to approve the increase as suggested.

Motion: Roy Heald
2nd: Mike Fabbre
Vote: Motion carried

Loan Application – City of Sterling, Resolution No. 20-28

Prior to the presentation of the City of Sterling's loan request, Chair Jones welcomed George Good, Public Works Director, who was a listening participant on the conference call. Jim Griffiths presented the City of Sterling's request for a leveraged loan through the WPCRF loan program in the amount of \$34,000,000, plus cost of issuance, at an interest rate of 70% of the market rate on the Authority's 2020 Series B State Revolving Fund Revenue Bonds for a term of up to 30 years. The City is also requesting a Green Project Reserve direct loan in the amount of \$3,000,000, at an interest rate of 1.5% for a term of up to 30 years. The total amount of both loans is \$37,000,000. The request received a favorable recommendation from the Project Finance Committee. The recent rate increases will allow the City to meet the Authority's rate covenant and the City's citizens voted favorably for this project. A motion was made to approve Resolution No. 20-28, approval of a wastewater Green Project Reserve direct loan to the City of Sterling and execution of a loan agreement and other documents necessary therefor.

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

A subsequent motion was made to approve and begin negotiating a WPCRF leveraged loan with the City of Sterling in the amount of \$34,000,000, plus cost of issuance at 70% of the interest rate received by the Authority on the associated bond issue for a term of up to 30 years and to authorize staff to begin drafting a preliminary official statement incorporating the District. Mr. Griffiths noted both loans are subject to the City obtaining an approved Water Efficiency Plan from the Colorado Water Conservation Board before drawing funds.

Motion: Bob Wolff
2nd: Roy Heald
Vote: Motion carried

Following the vote, the City's representative George Good thanked the Board for its consideration of their loan request.

2020 Capitalization Grant Requirements

Austin Reichel confirmed that the Authority received the WPCRF Capitalization Grant on May 27, 2020, in the amount of \$12,712,000, representing an increase of \$2,000 from the previous year (FFY 2019). Mr. Reichel confirmed that the grant conditions were the same as last year, including Davis Bacon wage rates and American Iron and Steel. The capitalization grant also includes a requirement to use a minimum of 10% of the capitalization grant funds for "green" projects. The additional subsidy requirement of no less than 10% but no more than 40% is also attached as a condition and is utilized to fund the Design & Engineering Grants. Staff recommends that approximately 11.8% or \$1,500,000, of the capitalization grant be allocated to additional subsidy for the WPCRF. Additional subsidy funds not budgeted for Design & Engineering Grants will be provided as loan principal forgiveness during the year (rather than year-end) as approved by the Authority Board at the June 2018 Board meeting. A motion was made to accept the 2020 Capitalization Grant and allocate \$1,500,000, as additional subsidy and \$5,000,000, for the Green Project Reserve fund for 2020.

Motion: George Corkle
2nd: Roy Heald
Vote: Motion carried

Status of Projects

Jim Griffiths noted that August 1st is one of the Authority's major debt service payment dates for leveraged loans and the Authority received all payments on time despite the COVID-19 pandemic. The next major payment date will be on November 1st for direct loans. No loan applications are anticipated for the October Board meeting in the WPCRF program. Additionally, no Planning Grants were issued since the last Board meeting and four Design and Engineering Grants issued since the June Board meeting: City of Las Animas

(\$300,000), City of Creede (\$220,772), Town of Genoa (\$10,000) and St. Mary's Glacier WSD (\$300,000). There is \$231,371, of budgeted funds available for Design & Engineering loans available for the remainder of 2020. Mr. Griffiths confirmed there will be a WPCRF fall bond issue that will include the City of Sterling, West Jefferson County Metropolitan District, and City of Evans loans approved at this meeting. Authority staff is currently preparing the Intended Use Plan for 2021 and will submit it to the Water Quality Control Commission for consideration and approval in October.

Small Hydropower Loan Program

Ian Loffert briefly review the program terms: eligible projects of 10 megawatts or less, a \$5 million maximum loan amount, a 30-year maximum term and a fixed 2.5% interest rate. Mr. Loffert confirmed no matching grants have been awarded this year and \$150,000, of budgeted funds remain available for 2020. Seven small hydropower loans remain outstanding in the program with an approximate balance of \$8.9 million. Mr. Loffert concluded the program update by stating a presentation for the upcoming Special District Association's annual conference includes information on the Authority's Small Hydropower Loan Program.

Water Revenue Bond Program

WRBP 2020 Series A Bond Sale Results

Jim Griffiths reported that the Town of Telluride's loan and associated bond issue wrapped up in June and it closed during the pandemic and presented new challenges. Mr. Griffiths reviewed certain elements of the WRBP 2020 Series A bond issue and noted the issue required the Authority to seek bond insurance and secure a surety bond prior to closing. The Town of Telluride utilized the entire \$250,000 allocation for cost of issuance and the Town paid the remaining balance of approximately \$74,033. The bond insurer also required the Authority to increase its O&M reserve requirement from three months to six months due to the pandemic. The Town received an interest rate of 3.13% which is higher than previous issues but was grateful to complete the project's financing.

Status Report

Austin Reichel noted that no applications are anticipated for the October Board meeting and the City of Fountain is seeking a refunding for its 2011 Series A loan.

La Plata Future Projects Escrow & Animas La Plata Project

Keith McLaughlin reported that Long Hollow Reservoir hit its high point in water storage on April 8, 2020 and measured 5,163-acre feet. The max fill is at 5,309-acre feet, and when reached, switches the project from construction to operations and the Authority can stop a majority of its payments for the project and shift the financial responsibility to the District. Mr. McLaughlin stated that Authority staff is working closely with the Animas-La Plata Water Conservancy District to sell the remaining 121-acre feet of water and the sale should be complete before October 1, 2020. If complete by October 1st, the proportional share of operations and expense shifts from the Authority to the District. Director Wolff confirmed that the District will complete its incremental purchase by Tuesday, September 1, 2020, and thanked the Authority on behalf of Southwestern Colorado.

Unfinished Business – Committee Reports

Project Finance Committee

Committee Chair Vandiver thanked all Board members for attending the last Project Finance Committee meeting and appreciated the added input during the meeting. Chair Jones echoed the sentiments of Director Vandiver and noted the benefit of additional participation from all Board members and asked the Board members to consider making it to the Project Finance Committee meeting if available. Director Heald noted that although no longer on the Project Finance Committee, he still finds great value in participating in the meetings and will continue to participate as available. Chair Jones encouraged Board members to participate, especially when there are a large number of loan applications to consider.

Board Program Work Session

Mr. McLaughlin noted that Director Treese exited the meeting earlier and Chair Jones referred to the provided minutes that summarized the discussions and recommendations.

New Business

Legislative Issues and Other Business of Interest to the Authority

Keith McLaughlin noted there wasn't much to report as the State legislature is not in session. On the Federal level, it looks less likely that there will be any infrastructure funding prior to the November general election. There are two Senate bills that staff is monitoring, including the American's Water Infrastructure Act and Drinking Water Infrastructure Act. Both bills include an increase in SRF funding, and the Board will be updated as necessary although neither is expected to be passed before the November elections. Mr. McLaughlin noted the Water Resources Development Act ("WRDA") bill may pass before the November elections as it did in 2014, 2016 and 2018. This may include an additional SRF allocation. Mr. McLaughlin concluded his report by noting the article included in the Board's materials regarding D&O insurance rates rising 44% in the first quarter of 2020, largely related to the COVID-19 pandemic.


Arrangements for Future Meetings

The next Board meeting will be held on October 2, 2020, and the Board initially anticipated traveling for this meeting but Chair Jones noted it may likely be held remotely due to the current conditions relating to the pandemic. The October meeting is also designated as the Authority's annual meeting and will include discussions on the 2021 budget and annual appointments of certain officers.

Adjournment

Chair Jones adjourned the meeting at 12:49 p.m.

Respectfully submitted,


Sabrina Speed, Assistant Secretary

NOTE-FOR INFORMATION ONLY - COPIES OF THE DOCUMENTS REFERRED TO IN THE TEXT OF THESE MINUTES ARE ON FILE IN THE AUTHORITY OFFICE AND MAY BE OBTAINED BY SUBMITTING A "REQUEST FOR PUBLIC RECORDS." PLEASE CALL SABRINA SPEED AT (303) 830-1550, EXT. 1010, FOR INFORMATION.