

**Colorado Water Resources
and
Power Development Authority**

BOARD MEETING MINUTES

January 30, 2019

Call to Order

Chair Roy Heald called the meeting to order at 2:00 p.m. in the Lakehouse Conference Room of the Westin Westminster Hotel, located at 10600 Westminster Boulevard, Westminster, CO 80020.

Roll Call and Declaration of a Quorum

Board members present: Roy Heald, Mike Berry, George Corkle, Webb Jones, Steve Price, Judy Skram, Bruce Smith, 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: 7(a) Loan Application for the Town of Crested Butte (Resolution No. 19-01), and Sheridan Lake Water District (Resolution No. 19-02), 7(b) St. Charles Mesa Water District Loan Term Amendment and 8(a) Loan Application for the City of Idaho Springs (Resolution No. 19-04) and Three Lakes Water and Sanitation District (Resolution No. 19-05). Upon hearing no objection or comment, a motion was made to approve the Consent Agenda as recommended.

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

Approval of Minutes – October 5, 2018

The December 7, 2018, Minutes were presented for approval. Upon hearing no comments, a motion was made to approve the Minutes for December 7, 2018, as presented.

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

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

Other Agency Reports

Report of CWCB – Mike Brod reported that Kirk Russell, Finance Section Chief of the CWCB, was unable to attend the meeting but provided a written report.

Report of WQCD – Mike Beck referred to the Division's written report and stated that Ron Falco was meeting with the Division's new Executive Director, Jill Hunsaker Ryan, to brief her on environmental issues within the Drinking Water Program. Ms. Ryan was a previous Eagle County Commissioner that came with previous work experience at the Health Department. Mr. Beck reported that in December 2018, the Water Quality Control Commission ("WQCC") held its annual rulemaking hearing for changes to Regulations #32 - #38 regarding temporary modifications. The WQCC also held an Administrative Action Hearing regarding revisions to the Guide to Colorado Programs for Water Quality Management and Safe Drinking Water, Policy 98-2. Mr. Beck also reported on the Division's Optimal Corrosion Control Treatment ("OCCT") program, including completion of a MOU extension from January to September 20th. Mr. Beck continued his report with a budget update, stating that the Drinking Water Program is not planning

to have a fee bill during the 2019 legislative session, as recent vacancies have created savings that will assist the current budget. However, the Division will reevaluate this position in the 2020 legislative session. Mr. Beck stated that the Drinking Water Excellence Program's manager resigned on January 4th and he would oversee the Program in the interim until a new manager is hired. The WQCD report concluded with an update on the WPCRF project budget, stating that approximately 44% of the total WPCRF budget has been expended to date.

Report of DOLA – Scott Olene distributed the DOLA Agency Update and reported that Rick Garcia has been named as the new DOLA Executive Director, taking over the position from Irv Halter. Mr. Garcia transitioned to DOLA from his former position as Regional Administrator for the U.S. Department of Housing and Urban Development (HUD) Region VIII. Mr. Olene continued his report with an announcement that included the Tier I (up to \$200,000) and Tier II (\$200,000-\$1,000,000) Energy Impact Assistance Fund (“EIAF”) Grant awards for Water and Wastewater in the August 2018 application cycle. Mr. Olene also distributed a listing of the EIAF Water and Wastewater applications received for the December 2018 cycle. The Tier II awards for this cycle of applications will be determined following the Energy Impact Advisory Committee Hearings in March. The Tier I applications are currently under review and decisions will be available in the coming weeks. Mr. Olene stated the severance forecast for the current fiscal year projects potential revenues and may be able to fund the Small Communities Water & Wastewater Grant Program. Mr. Olene concluded his report with a brief legislative update that included details of an initiative that looks to make alterations to the severance tax that includes changing the tax rate, increasing the revenue to the state and changing the funding allocations for DOLA, the Department of Natural Resources and the Colorado Department of Public Health & Environment.

Authority Reports

Report of Chair– Chair Roy Heald formally presented Resolution No. 18-36, A Resolution of Appreciation to Bruce Smith, and thanked him for his service to the Board. Mr. Smith expressed his gratitude and encouraged his colleagues to learn and continue to ask questions. Chairman Heald then acknowledged and congratulated Mike Brod on his recent 25-year work anniversary. Mr. Brod echoed Mr. Smith's comments about asking questions and said that staff learns and grows from the questions that the Board presents.

Report of Treasurer–Treasurer Bob Wolff referred to the Treasurer's report and stated that the pre-audit letter from the Authority's auditor, BKD, was included in the Board materials for review. This letter is intended to provide the planned scope and timing in preparation of the 2018 audit. Mr. Wolff stated he has already been interviewed by BKD and the 2018 audit is in process. Controller Justin Noll thanked the Accounting staff for their work in preparing year end financials, beginning the 2018 audit process and interim work on the upcoming Drinking Water refunding. Mr. Noll continued that financial statements were provided through November. The auditors were on-site the second week in January to do interim work and single audit testing. They will return to the Authority's offices in March to complete audit work to meet the April completion deadline. 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 referred to his written report and recognized and thanked Valerie Lovato, Senior Accountant, for her 20-year work anniversary and John Williams, Senior Financial Analyst, for his 5-year work anniversary. Mr. Brod presented each with a plaque of appreciation.

Internet Technology Acceptable Use Policy

Keith McLaughlin referred to the proposed Internet Technology Acceptable Use Policy included in the Board materials and stated that work on this project has been in process for over a year after a request from Director Wolff. The form of the document was provided by the Authority's IT consultant, MyTech, and

incorporated suggested edits, revisions and best practice recommendations from Government Finance Officers Association (“GFOA”), Control Objectives for Information and Related Technologies (“COBIT”) and National Institute of Standards & Technology (“NIST”). Mr. McLaughlin also thanked Director Skram, who helped by sharing Northern Colorado Water Conservancy District’s policy and providing additional guidance. The proposed policy governs all uses for the Authority’s information technology. Mr. McLaughlin highlighted key components of the policy and stated the Authority is already following most of these procedures but there was no formal, written policy in place. Mr. McLaughlin noted that upon adoption, the policy requires annual review and adoption. Mr. Wolff questioned whether there was a process to identify a reasonable business case for the utilization of removable media (i.e. electronic storage device or other) into the Authority’s identified equipment or networks. Mr. McLaughlin said there wasn’t a specific need, but staff currently has information on removable media and will evaluate issues on a case-by-case basis and those are likely very limited and may eventually go away completely. Webb questioned if the staff planned for the policy to be audited and/or tested for compliance, and Mr. McLaughlin replied that wasn’t something they have identified but would be open to submitting the policy annually to MyTech for review. Mr. Noll added that BKD reviews Authority Policies as part of its regular audit process. A motion was made to adopt the Internet Technology Acceptable Use Policy.

Motion: Bob Wolff
2nd: Judy Skram
Vote: Motion carried

Sick Leave Sharing Policy

Mike Brod referred to the proposed Sick Leave Sharing Policy included in the Board materials and stated this was a continuation of previous discussions held during the Personnel Committee meeting, Board Program Work Session and Board meeting in December 2018. Mr. Brod confirmed that the State Personnel System currently has a similar policy in place. Mr. McLaughlin thanked Karl Ohlsen for his assistance drafting the document and confirmed the State’s policy provided the framework for the proposed policy; although the State’s policy covers both sick and vacation leave, the Authority only incorporated a sick leave sharing policy. The policy was designed to be completely voluntary and confidential and would allow Authority staff to contribute and request sick leave hours within certain parameters. Mr. McLaughlin also thanked Director Berry for his assistance sharing the sick leave policy that Tri-County Water incorporated. The policy requirements were reviewed, including: employee eligibility, defining medical emergencies, short and/or long-term disability exclusions, minimum and maximum amounts allowed and policy effective date. After some further discussion, a motion was made to adopt the proposed Sick Leave Sharing Policy and review it next year.

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

Construction Update

Mike Brod reported that construction on the 6th floor has not commenced as we are awaiting the current occupants of Suite #600 to relocate to a different floor. The Authority has started the clean-up effort in the store room and other areas in preparation for the remodel. Mr. Brod will be meeting with the Project Manager and Contractor in the coming weeks to finalize the pre-construction details and will be able to provide a detailed schedule at the next Board meeting. The March 1, 2019 Board meeting will be held at the Warwick Hotel and the April 19, 2019, meeting may also be held at the Warwick as the current construction completion date is May 1, 2019.

Executive Director Succession Discussion

Mike Brod reviewed the previous Executive Director succession discussions held at the December Personnel Committee meeting and Board meeting on December 11th and 12th, 2018. Those discussions resulted in the Board wanting to further discuss the process of selection to decide whether to proceed with an external or internal search to fill the Executive Director position to be vacated in January 2020. Karl

Ohlsen reminded the Board that discussions should be made in general about the succession process without any mention of specific personnel. Webb Jones asked Mr. Ohlsen what the available options were for the Board to decide. Mr. Ohlsen replied the Board could elect to discuss openly the process of conducting an external search or could vote to enter Executive Session to identify and discuss available candidates. If the Board elects to proceed with an external search there are certain specific public meeting and public notice parameters that are required to be met, and the Board would be required to appoint an Executive Search Committee. That Committee would be tasked with setting the job description, publishing the job opportunity and identifying and selecting final candidates for review, approval, and publication to the extent allowable by law. This is the process the Authority Board utilized in 2010 to fill the Executive Director position vacated by Dan Law. Mr. Ohlsen stated there were advantages and disadvantages of both selection methods. After further discussion, the consensus of the Board was to review the current Executive Director job description, adjust as necessary with assistance from Employers Council, incorporate comments from Dan Law and review and decide at the March Board meeting which selection process to utilize.

The Board recessed for a short break. Director Smith did not return to the meeting.

Report of Legal Counsel –Mr. Ohlsen had no separate legal report but provided a brief update on his legal activities stating that he spent time working on the Internet Technology Acceptable Use Policy and Sick Leave Sharing Policy as well as various loan agreements and counsel opinions.

Drinking Water Revolving Fund

Allocation of 2018 Unobligated Additional Subsidy Funds

Wesley Williams reviewed the slide in the Board materials that contained a listing of the five Drinking Water Revolving Fund borrowers that received approximately \$2.9 million additional Principal Forgiveness funds from the unobligated Capitalization Grant. These borrowers were selected through a priority scoring system as identified in the Intended Use Plan and Authority staff is currently in the process of contacting the borrowers to let them know of the additional awards. The outstanding loan balances will be reduced by the amount of the allocated funds. Authority staff continues to seek alternative ways to allocate funds during the year rather than at the end of the year.

2019 Series A First Supplemental Revenue Bond Resolution No. 19-03

Jim Griffiths reviewed Resolution No. 19-03 First Supplemental Revenue Bond Resolution and briefly reviewed the refunding process. This Bond Resolution will amend three previous Drinking Water Revolving Fund bond resolutions (2006 Series B, 2008 Series A, and 2008 Series B) and will benefit seven borrowers (City of Alamosa, Arapahoe County Wastewater Public Improvement District, Cottonwood Water and Sanitation District, Town of Estes Park, Pagosa Area Water and Sanitation District, Town of Palisade and Project 7 Water Authority). The resolution parameters included a bond principal not to exceed \$20,000,000, a net interest rate not to exceed 6% and a final maturity not to exceed September 1, 2032. A motion was made to adopt Resolution No. 19-03.

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

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. The proposed Drinking Water Revolving Fund Refunding would eliminate the largest repurchase agreements with Assured Guaranty and would leave 3 repurchase agreements remaining with an approximate balance of \$6.5 million. The refunding would also reduce the balance in the State & Local Government Series (also known as “SLGS”) by approximately \$7.3 million. Authority staff continues to monitor the agreements and will continue to report any further changes.

Status of Projects

Jim Griffiths reported that since the last Board meeting, no Planning Grants were awarded and 15 remain available for 2019. Additionally, two Design and Engineering Grants were issued to the City of Craig for \$19,706 and Arabian Acres Metropolitan District for \$300,000. There is approximately \$1,180,294 of budgeted Design & Engineering Grants available for 2019. Two loan applications are expected for the March Board meeting: Town of Wellington for approximately \$26.6 million and Cucharas Sanitation and Water District for approximately \$1.7 million. It is expected the Authority will have a spring bond issue and will likely sell bonds in April and close in early May, and there have been discussions to conduct a joint DWRP and WPCRF issue.

Water Pollution Control Revolving Fund

Lagoon System Inventory Review

Mike Beck thanked Bret Icenogle, Barbara Bennett and Jeff Hlad for their efforts in this project and preparing the presentation. Mr. Beck stated the two projects were authorized and financed by the Authority Board in 2018 and introduced Barbara Bennett to provide the first part of the presentation. Ms. Bennett reviewed the two projects: the lagoon inventory and Discharger Specific Variance (“DSV”) Package and the scope of work with each project, using the Town of Nucla as an example. Both projects were discussed and highlighted. Jeff Hlad concluded the report stating how the inventory reports may be utilized to help provide future assistance to small communities.

Status of Projects

Keith McLaughlin reported that no new Planning Grants were awarded since the last Board meeting and all fifteen WPCRF Planning Grants remain available for 2019. Mr. McLaughlin also reported that five Design & Engineering Grants were awarded since the last Board meeting: Louviers Water & Sanitation District (\$113,200), Town of Manassa (\$201,254), Cortez Sanitation District (\$92,500), City of Creede (\$181,000), and City of Idaho Springs (\$300,000). There is \$612,046 of budgeted Design & Engineering Grant funds available for the remainder of 2019. Mr. McLaughlin anticipates requesting additional D&E funding in 2019, similar to the process in 2018. Five loan applications are expected for the March Board meeting: Boxelder Sanitation District, City of Cortez, City of Gunnison, City of La Junta, and Town of Vilas. Mr. McLaughlin anticipates two participants in a spring bond issue: City of Gunnison and Boxelder Sanitation District for a combined total of approximately \$47 million, and as previously reported Drinking Water and Clean Water may be combined for cost of issuance savings. Mr. McLaughlin concluded his report by thanking Mr. Griffiths for his efforts on the Authority’s refunding.

Small Hydropower Loan Program

Status of Program

Ian Loffert reported that since the last Board meeting, the City of Manitou Springs has applied to the Small Hydro Program for approximately \$350,000. The loan application and associated credit report is pending and can be expected at a future Board meeting. Five loans are outstanding within the program for an approximate balance of \$7.5 million.

Water Revenue Bonds & Small Water Resources Projects

Status Report

Beth Fox confirmed there are no updates for either the Water Revenue Bond or Small Water Resources Project Programs. Authority staff continues to seek future funding opportunities for the Water Revenue Bonds Program.

La Plata Future Projects Escrow & Animas-La Plata Project

Long Hollow Reservoir – Status Report

Director Wolff stated he didn’t see a conflict, but as President of the Animas-La Plata Water Conservancy District, and in an abundance of caution, recused himself from the discussion. Mike Brod then reported there were no new updates on Long Hollow Reservoir because the storage reports are no longer updated.

Mr. Brod continued that the Bureau of Reclamation has provided Final Cost Allocations on the Lake Nighthorse Reservoir of the Animas-La Plata Project, in the amount of approximately \$402,000. Mr. Brod noted the Authority's history of involvement in the Animas-La Plata Project and stated that in 1988 or 1989, the Authority set aside approximately \$30 million to help cover the state match portion of the irrigation component of the project. Over time that project was downsized, and the irrigation component of the project was removed. The Bureau revised the escrow and made an initial deposit of approximately \$7,256,750. The project draws over time since 2001 totaled approximately \$7,189,428, and the current escrow balance is approximately \$1,636,267. If the Board elected to pay the full Final Cost Allocation to the Bureau, the balance released back to the Authority would equal approximately \$1,234,624. It was noted that disputing the amount of the Final Cost Allocation may be troublesome, complex and could result in additional legal fees. After further discussion, a motion was made to provide Mike Brod the authority to settle, up to the full amount of the Final Cost Allocation (\$401,643), and not dispute the final bill with the Bureau of Reclamation.

Motion: Steve Vandiver

2nd: Steve Price

Vote: Motion carried, Bob Wolff abstained

Bruce Whitehead, Manager of the Animas-La Plata Water Conservancy District and Southwestern Water Conservation District, expressed his gratitude to the Board for their consideration.

New Business

Legislative Issues and Other Business of Interest to the Authority

Mike Brod reported that he received a new Executive Order from Governor Polis reappointing Bob Wolff and appointing Chris Trees. The new Executive Order supersedes the one signed by Governor Hickenlooper in October 2018. Mr. Brod will be working to schedule a confirmation hearing before the Senate Ag Committee in the coming weeks. Mr. Brod will be testifying before the Senate Ag Committee on January 31, 2019, in support of the Authority's Joint Resolution for the Project Eligibility Lists. Mr. Brod concluded his report with an update on possible legislation that combines Authority and CWCB staff in a joint-effort to fund projects identified in the Water Plan. Additional details will follow when confirmed.

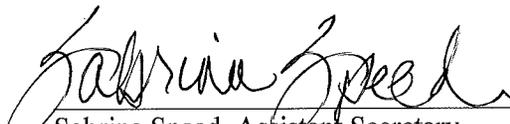
Arrangements for Future Meetings

The March 1st meeting will be held in Denver at the Warwick Hotel. The April 19, 2019, Board meeting will be in Denver, with the location to be determined pending the office construction at the Authority's offices. The June 7, 2019, meeting will be held in Denver at the Authority's offices.

Adjournment

Chair Roy Heald adjourned the meeting at 5:12 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.