

**Colorado Water Resources  
and  
Power Development Authority**

**BOARD MEETING MINUTES**

**March 1, 2019**

**Call to Order**

Chair Roy Heald called the meeting to order at 9:02 a.m. in the Executive Lounge 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, 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 Cucharas Sanitation & Water District (Resolution No. 19-06), and 8(a) Loan Applications for Cortez Sanitation District (Resolution No. 19-07) and the Town of Vilas (Resolution No. 19-10). Upon a request to remove the Town of Vilas (Resolution No. 19-10) for further discussion, a motion was made to approve the Consent Agenda, as amended.

Motion: Webb Jones  
2<sup>nd</sup>: Steve Vandiver  
Vote: Motion carried

**Approval of Minutes – January 30, 2019**

The January 30, 2019, Minutes were presented for approval. Chairman Heald suggested a correction to the spelling of Patti Wells name. After further examination after the meeting concluded, the proposed change was to the Colorado Water Conservation Board's Agency Update, so no changes were necessary to the Authority's Board minutes. The motion was to approve the Minutes for January 30, 2019, as presented.

Motion: Bob Wolff  
2<sup>nd</sup>: Judy Skram  
Vote: Motion carried

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

**Other Agency Reports**

*Report of CWCB* – Anna Mauss, Chief Operating Officer of Administration, provided the agency report on behalf of Kirk Russell, who was on vacation. Ms. Mauss referred to the written report and stated that the CWCB was grateful for the contributions of former Board Members Russ George, Patti Wells and Jay Gallagher. New Board members for the CWCB will be: Gail Schwartz (Colorado River Mainstem), Jaclyn Brown (Yampa/White Rivers) and Jessica Brody (City and County of Denver). The next CWCB Board meeting will be in Fort Collins on March 20-21. Ms. Mauss also stated the 2<sup>nd</sup> and final round of Fiscal Year 18/19 Water Plan Grant applications were submitted February 1, 2019. The CWCB received 45 funding requests totaling approximately \$7.5 million for the available funding amount of \$5 million. The CWCB staff will be meeting with applicants to negotiate and review projects before final submittal to the CWCB Board in May. The severance tax revenues continue to look positive for the next couple of years and the CWCB expects to fully fund the \$10 million for the basin roundtables. Ms. Mauss concluded the

agency report by stating the 2019 Projects Bill has not yet been introduced in the legislature but is expected in the current session.

*Report of WQCD* – Mike Beck referred to the Division's written report and stated that Ron Falco was on vacation. Mr. Beck reported on the Water Quality Control Commission's activities, stating that in January the Commission heard updates from all of the Groundwater Implementing (SB-181) agencies. The WQCC will also hold an Administrative Action Hearing regarding the Discharger Specific Variance (DSV) policy. Future Administrative Action Hearings will be held to hear changes to the 2020 303(d) Listing Methodology of Impaired Waters and a briefing regarding the DSV economic feasibility test. Mr. Beck thanked the Authority Board for its feedback and suggestions on the 2018 Annual Report presented at the Board Program Work Session. As previously stated, the Division will not seek a Drinking Water Program fee bill this legislative session. Moving to the Grants and Loans portion of the written report, Mr. Beck stated unit staff presented water and wastewater funding options to attendees of the Colorado Rural Water Conference on February 11, 2019. Mr. Beck concluded his report with an update on the WPCRF Program Budget. Bob Wolff asked Clean Water Program Manager Nicole Rowan about the Statewide selenium study and nutrient criteria included in the WQCD's 2018 Annual Project Report, asking about the severity of Colorado's problem with these two issues. Mr. Rowan confirmed that the State has not yet adopted the new, stringent EPA standards as they are still investigating the potential for a Colorado specific exclusion.

*Report of DOLA* – Paul Young distributed the DOLA Agency Update and reported that the Energy Impact Advisory Committee is scheduled to meet on March 12<sup>th</sup> and 13<sup>th</sup> to review the December 1<sup>st</sup> Tier II funding requests and provide recommendations to Executive Director Rick Garcia. Mr. Young referred to the Tier I December 1<sup>st</sup> Water and Wastewater Application award hand-out and noted that the Olathe Storm Drainage improvement project was included in the report, due to an increased interest to fund stormwater projects through the SRF. Mr. Young continued his report by stating that the Drought Task Force met on February 12<sup>th</sup> to discuss current conditions and future projections. Conditions throughout the state have improved significantly, and all D4 "exceptional drought" classifications in the state were removed as of February 26<sup>th</sup>. Reservoir levels and stream flows remain a concern, and the Task Force will continue to monitor drought conditions through the spring months and meet again on April 1<sup>st</sup>. Mr. Young concluded his report with a staffing update, stating the SE Regional Manager vacancy was filled by Tara Marshal, currently with the City of Trinidad. Ms. Marshal will start her new position on April 1<sup>st</sup>.

#### **Authority Reports**

*Public and/or Board Member Comment* – Chair Roy Heald petitioned comments from the public and/or Board members. Bruce Smith noted the upcoming vacancy for the chair position on the Project Finance Committee and questioned if the Board had considered committee replacements as the Board has historically reviewed appointments and committee assignments annually. Chair Heald stated the authority for assigning committee membership lies within his jurisdiction and that discussions are already in progress. Mr. Brod confirmed that Board leadership positions and committee assignments are held biennially and would occur in October. A Nominating Committee will be formed in June, and that Committee will make recommendations for new Officers to be elected at the October Board meeting, which is considered the Board's "annual meeting". The Executive Director will work with the new Chair on new Committee assignments.

*Report of Treasurer* – In the interest of time, Treasurer Bob Wolff referred to the Controller to provide the Treasurer's report. Mr. Noll stated that financial statements through December 31<sup>st</sup> were included in the Board materials and were also provided to BKD, the Authority's auditor. The auditors will be on-site on Monday, March 4<sup>th</sup> for approximately three weeks to compile the 2018 Audit Report. The audit is expected to wrap up by the end of March 2019 and the draft audit report will be distributed to Authority staff and members of the Budget and Audit Committee in mid-April. The Budget & Audit Committee conference call is tentatively scheduled for Wednesday, April 10, 2019, and more details will follow. A motion was made to accept the Treasurer's report.

Motion: Bob Wolff  
2<sup>nd</sup>: Steve Price  
Vote: Motion carried

*Report of Executive Director* – Mike Brod referred to his written report and recognized that Finance Director Keith McLaughlin was celebrating his birthday today and Assistant Finance Director Jim Griffiths' birthday is on Saturday, March 2<sup>nd</sup>.

*Construction Update*

Mike Brod reported that construction on the 6<sup>th</sup> floor of Logan Tower is under way and the estimated completion date is May 1, 2019. Authority staff is holding weekly construction meetings with the building's contractors and the Colorado Water Congress to assist in facilitating the construction process.

*Executive Director Succession Discussion*

Mike Brod reviewed the previous Executive Director succession discussion held at the Board Program Work Session on February 28, 2019. Webb Jones, Chair of the Board Program Work Session, read the following motion: "Recommend utilizing only an internal hiring process, unless a suitable candidate was not found. If an internal candidate is not found, an external search will be conducted." Mr. Jones noted the vote carried on a 6-2 vote, Directors Wolff and Price opposed and Director Smith was not present for the vote. A motion was made to accept the recommendation from the Board Program Work Session.

Motion: George Corkle  
2<sup>nd</sup>: Steve Price  
Vote: Motion carried 7-1-1, Bob Wolff opposed, and Bruce Smith abstained

Following the vote, Mr. Brod confirmed that he would be working with Karl Ohlsen on modifying the current job description and recirculating to the Board when deemed final. Director Jones suggested setting an application deadline for the Executive Director position and following some discussion, it was determined all interested applicants submit their application to the Executive Director by March 22, 2019. A motion was made to direct all interested internal applicants to submit applications to Executive Director Mike Brod by March 22, 2019.

Motion: Webb Jones  
2<sup>nd</sup>: Bob Wolff  
Vote: Motion carried

Following the vote Karl Ohlsen confirmed that the Board would likely hold an Executive Session at the April Board meeting to discuss internal job candidate(s).

*Report of Legal Counsel* –Mr. Ohlsen had no separate legal report but reported that he provided a legal opinion for the Drinking Water Refunding Revenue Bonds, 2019 Series A for the pre-closing. Legal activities also included time spent on an intercreditor agreement for the Town of Larkspur as well as various loan agreements and counsel opinions.

**Drinking Water Revolving Fund**

*Town of Wellington*

Beth Fox introduced Peter Brandjord, Finance Director, of the Town of Wellington ("Town") and presented the Town's request for a leveraged loan through the DWRF loan program in the amount of \$26,597,432, at an interest rate of 70% of the market rate on the State Revolving Fund 2019 Series A Revenue Bonds for a term of 20 years. There is not a rate increase required for this request. The project consists of increasing capacity and implementing treatment improvements, including dissolved air flotation, ozone pretreatment, mixed media filtration and a new chlorination system. Additional improvements will include changes to the clearwell baffling and a new mechanical dewatering system, drying beds and waste recovery ponds. The Town is currently under a Compliance Advisory from CDPHE related to its discharge permit that

allows return flows back to the raw water source. The Town is committed to the improvements and to bringing the site into a Zero Liquid Discharge (ZLD) facility. Addressing a question that arose from the Project Finance Committee regarding the Town utilizing its reserves for this project, Ms. Fox confirmed that the Town intends to utilize a portion of its reserves and has a stringent reserve policy. That policy states the Water Enterprise shall have no less than 25% of revenues at the end of the year, as well as adequate balances to cover the cost of estimated Capital Projects for the following year. In addition, the Town also requires 2 years of debt service be kept in reserve. If the unassigned fund balance falls below the stated goal, the Town shall create a restoration plan to achieve and maintain the minimum fund balance. Additionally, Ms. Fox addressed a question from the Project Finance Committee about the Town's IGA water purchase agreement regarding capacity and confirmed that the Town has the potential capacity of 2,000-acre feet of water and has access to 1,200-acre feet of well water, so capacity is not an issue. This project received a favorable recommendation from the Project Finance Committee, subject to the Town establishing a rate stabilization account with the equivalent of one year's debt service. Mr. Brandjord addressed the Board and answered questions regarding the Town's water supply. A motion was made to approve and begin negotiating a DWRF leveraged loan with the Town of Wellington in the amount of \$26,597,432 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 20 years plus construction, and to authorize staff to begin drafting a preliminary official statement incorporating the Town; subject to the Town establishing and maintaining a rate stabilization fund equal to one year max annual debt service in the water fund, prior to loan execution and for the life of the loan.

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

#### *DWRF 2019 Series A/R Bond Sale Results*

Jim Griffiths reported that the 2019 Series A refunding bond issue sale and closing was successful and represented an approximate \$1.7 million in savings, shared across seven borrowers. Typically, the Authority targets a 3% present value savings, and in this particular refunding bond issue, the net present value savings was 5.75%. Mr. McLaughlin noted the amount of work that is required to successfully close and thanked all who contributed to this successful closing, especially to Mr. Griffiths who handled much of the workload associated with the refunding.

#### *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. Additionally, all agreements are in compliance with the required collateral percentages and eligible securities. The Drinking Water Revolving Fund Refunding terminated another repurchase agreement, thereby further reducing the Authority's risk and potential liability. There are three repurchase agreements remaining in the Authority's portfolio, totaling approximately \$6.2 million.

#### *Status of Projects*

Jim Griffiths reported that since the last Board meeting, one Planning Grant was awarded to the Town of Del Norte for \$10,000, and 14 remain available for 2019. Additionally, one Design and Engineering Grant was issued to the Town of Center for \$25,500. There is approximately \$1,154,794 of budgeted Design & Engineering Grants available for 2019. Three loan applications are expected for the April Board meeting: Town of Center (\$2.1 million for water meters and water line upgrades), City of Craig (\$3.2 million for treatment upgrades) and Willow Brook Metropolitan District (\$1.75 million to rehab/replace distribution/transmission lines). 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 may be a joint DWRF and WPCRF bond issue.

In order to accommodate audience guests, Chair Heald rearranged certain agenda items.

**Water Pollution Control Revolving Fund**

*City of La Junta, Resolution No. 19-09*

Keith McLaughlin introduced Tom Seaba and presented the City of La Junta's ("City") request for a direct loan through the WPCRF loan program in the amount of \$3,000,000, at an interest rate of 0.5% for a term of up to 30 years. Mr. McLaughlin noted this was the City's forth request for its wastewater treatment plant project and the City is aware of the concerns and discussion held at the Project Finance Committee. Mr. McLaughlin highlighted the history of the City's on-going project. As requested by the Project Finance Committee, the City prepared a breakdown of the demolition project total cost. The original scope of the project included wastewater treatment plant upgrades to an Orbal Oxidation Ditch to include construction or rehabilitation of a wastewater treatment plant, new influent headworks, pumps, metering, grit collector, new grit building, oxidation ditch, clarifiers, new return activated sludge building, generator, chemical storage, disinfection, waste sludge gravity thickener, digesters and control building rehabilitation. The additional project scope includes demolition and removal of existing structures to rehabilitate the site from the old plant operations to the new plant. Mr. McLaughlin noted the City is not new to the Authority's financing programs and has several loans, and historically has never had an issue with its loan repayments. This project received no recommendation from the Project Finance Committee. Mr. Seaba addressed the Board, confirmed that the project is 85% complete and further explained certain additional and necessary components of the City's project. After further discussion, a motion was made to adopt Resolution No. 19-09, approving a wastewater direct loan to the City of La Junta and execution of a loan agreement and other documents necessary therefor.

Motion: Roy Heald  
2<sup>nd</sup>: Steve Vandiver  
Vote: Motion carried

*Boxelder Sanitation District*

Wesley Williams presented the Boxelder Sanitation District's ("District") request for a leveraged loan through the WPCRF loan program in the amount of \$35,350,000, plus cost of issuance, at an interest rate of 70% of the market rate on the Authority's 2019 Series A State Revolving Fund Revenue Bonds for a term of up to 30 years, plus construction. The project consists of expanding the treatment capacity of the existing wastewater treatment facility and includes, but is not limited to, new headworks, anaerobic selector and oxidation ditch; two final clarifiers; aerobic digestion and solids handling facilities with dewatering equipment; modification/upgrade to a UV system to accommodate increased hydraulic loading; and a new administration/laboratory building. Addressing questions that arose on the Project Finance Committee, Mr. Williams confirmed the hydraulic loading numbers on the credit report were correct and the high numbers were due to the high use of energy efficient appliances. In addition, Wes noted that Anheuser Busch was not connected to the District's system. This project received a favorable recommendation from the Project Finance Committee. A motion was made to approve and begin negotiating a WPCRF leveraged loan with Boxelder Sanitation District in the amount of \$35,350,000 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: Steve Price  
2<sup>nd</sup>: Judy Skram  
Vote: Motion carried

*City of Gunnison*

John Williams presented the City of Gunnison's ("City") request for a leveraged loan through the WPCRF loan program in the amount of \$9,843,890, plus cost of issuance, at an interest rate of 70% of the market rate on the Authority's 2019 Series A State Revolving Fund Revenue Bonds for a term of up to 20 years, plus construction. The City is also requesting a Green Project Reserve direct loan in the amount of \$3,000,000, at an interest rate of 0.5% for a term of 20 years. The City is pledging sewer system revenues for this project. The project consists of improvements at the existing wastewater treatment facility including influent pumping, screening, oxidation ditch, secondary clarifiers, UV disinfection, dewatering,

composting, SCADA, collection line repair and associated appurtenances. Mr. Williams confirmed the City applied for an Energy/Mineral Impact Assistance Fund Grant in the amount of \$1,000,000, in December of 2018. If secured, the City would reduce its leveraged loan amount by the same amount of the EIAF Grant award. This project received a favorable recommendation from staff and the Project Finance Committee, subject to the City increasing user rates, if necessary, sufficiently to meet the Authority's rate covenant prior to loan execution. A motion was made to approve and begin negotiating a WPCRF leveraged loan with the City of Gunnison in the amount of \$9,843,890, 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 20 years plus construction, and to authorize staff to begin drafting a preliminary official statement incorporating the City; subject to the City increasing user rates sufficiently to meet the Authority's rate covenant prior to loan execution.

Motion: Mike Berry  
2<sup>nd</sup>: Bob Wolff  
Vote: Motion carried

A subsequent motion was made to approve Resolution 19-08, approving a Green Project Reserve direct loan in the amount of \$3,000,000, at an interest rate of 0.5% for a term of 20 years, and execution of a loan agreement and other documents necessary therefore.

Motion: Mike Berry  
2<sup>nd</sup>: Bob Wolff  
Vote: Motion carried

#### *Town of Vilas, Resolution No. 19-10*

Wesley Williams presented the Town of Vilas' ("Town") request for a Disadvantaged Communities direct loan through the WPCRF loan program in the amount of \$101,600, at an interest rate of 0.5% for a term of up to 30 years. The Town is pledging sewer system revenue for this project. Mr. Williams confirmed that the majority of the Town's budget will be funded in the form of grants, and the Town's lawyer has confirmed that the Town has de-Bruced and will be able to accept the grants and the Authority's loan, if approved. The project consists of construction of a new non-discharging wastewater treatment facility. The project will include earthwork to reconfigure two existing lagoon cells, construction of a new evaporative cell, installation of membrane liner, water booster station, and associated appurtenances. Addressing a question that arose from the Project Finance Committee, Mr. Williams confirmed that the groundwater beneath the lagoon is considered state water and seepage of untreated wastewater into this groundwater resulted in the cease and desist order from CDPHE. Director Smith expressed concern that the Town's project is too complex for this small, impoverished community and suggested awarding the Town a principal forgiveness loan rather than a 30-year loan. Chairman Heald echoed Mr. Smith's concerns and acknowledged the Authority's normal process for administering loans but also questioned whether there was an opportunity for the Board to grant a principal forgiveness loan under certain, special circumstances. Mr. Brod explained the principal forgiveness component of the WPCRF loan program and the way historically the Authority has allocated these funds with respect to the Capitalization Grant. The Board has the authority to grant an exception for principal forgiveness or grant funds and the program also has the ability to amend the Intended Use Plan, if necessary, for that exception. After further discussion, a motion was made to adopt Resolution No. 19-10, approving a wastewater direct loan to the Town of Vilas and execution of a loan agreement and other documents necessary therefor, subject to an increase in user rates, if necessary, sufficiently to meet the Authority's rate covenant prior to loan execution and directing Authority staff to make the necessary adjustments to convert the loan to principal forgiveness prior to the first loan repayment, if legally and programmatically permissible.

Motion: Bruce Smith  
2<sup>nd</sup>: Bob Wolff  
Vote: Motion carried, Webb Jones opposed

#### *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 no new

Design & Engineering Grants were awarded since the last Board meeting and that there is \$612,046 of budgeted Design & Engineering Grant funds available for the remainder of 2019. Two WPCRF loan applications are expected for the April Board meeting: Town of Mountain View (\$810,000 for collection system rehabilitation) and Timbers Water & Sanitation District (\$2,008,775 for upgrade/replacement of its wastewater treatment facility). Mr. McLaughlin anticipates two participants in a WPCRF spring bond issue: City of Gunnison and Boxelder Sanitation District and, as previously reported, Drinking Water and Clean Water may be combined for cost of issuance savings. Mr. McLaughlin concluded his report with an update on the Town of Antonito, stating that the Town may be returning to the Board to request a loan for its wastewater project.

#### **Small Hydropower Loan Program**

##### *Status of Program*

Beth Fox reported that Manitou Springs submitted a loan application, but staff held off on processing the application until an opportunity to review its 2017 audited financial statements has been completed. Authority staff received the financials approximately two weeks ago and is preparing the credit report, and the Board can expect to review the credit report at the April Board meeting. The proposed loan is for \$350,000 at 2.5% interest rate for a term of 20 years.

#### **Water Revenue Bonds & Small Water Resources Projects**

##### *Status Report*

Ian Loffert confirmed there are no updates for either the Water Revenue Bond or Small Water Resources Project Programs. The Small Water Resources Project Program has two loans outstanding with an approximate balance of \$2.4 million. One loan will pay off in October of 2019, the other in October of 2023. The Water Revenue Bonds program currently has eight loans outstanding with an approximate balance of \$106 million. 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*

Mike Brod reported that he does not have a storage level reading on Long Hollow Reservoir as it may still be frozen. There may be some run-off this year and there may be an opportunity to exchange water as happened last year, it is just too early to tell. Mr. Brod will be scheduling a meeting with the Bureau of Reclamation, the City of Durango and the Animas-La Plata District to discuss the final cost allocations. The Bureau of Reclamation requires approval from the Commissioner before accepting final payments, and that process may not be complete before the end of September.

#### **New Business**

##### *Legislative Issues and Other Business of Interest to the Authority*

Mike Brod reported that House Joint Resolution 19-1005 was signed by Governor Polis on February 20, 2019, and Mr. Brod thanked all who were involved in this legislative process. Mr. Brod expressed special thanks to incoming Board member appointee Chris Treese for his assistance getting the Joint Resolution sponsors lined-up. On March 7, 2019, a confirmation hearing is set before the Senate Ag Committee for Directors Wolff and Treese, at 1:30 p.m. A vote before the full Senate will follow, likely the following week. Mr. Brod has not received any additional information about the potential bill from Senator Coram regarding the creation of a joint enterprise between the CWCB and the Authority to fund water projects. He will provide an update if there are any changes or additional information becomes available.

Directors Wolff and Smith exited the meeting.

#### **Arrangements for Future Meetings**

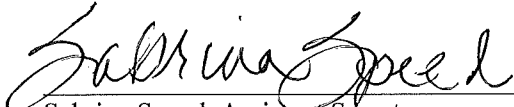
The April 19, 2019, Board meeting will be in Denver, with the location to be determined pending the office construction at the Authority's offices. The June 7, 2019, meeting will be held in Denver at the Authority's

offices, if construction is complete. Mr. Brod confirmed the August Board meeting will be held on August 21, 2019, in Steamboat Springs, in conjunction with the Colorado Water Congress' Summer Conference. Chair Heald noted he has a schedule conflict and will not be in attendance at the August Board meeting.

**Adjournment**

Chair Roy Heald adjourned the meeting at 12:01 p.m.

Respectfully submitted,

  
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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.