

**Colorado Water Resources  
and  
Power Development Authority**

**BOARD MEETING MINUTES**

**April 20, 2018**

**Call to Order**

Chair Roy Heald called the meeting to order at 9:00 a.m. in the Authority Conference Room, located at 1580 Logan Street, Denver, CO 80203.

**Roll Call and Declaration of a Quorum**

Board members present: Roy Heald, Mike Berry, George Corkle, Steve Price, Judy Skram, Bruce Smith, and Bob Wolff. Steve Vandiver joined via conference call, and Webb Jones was absent. A quorum was declared with eight 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 members of the Board Program Work Session: 7(a) the Town of Buena Vista Disadvantaged Communities Business Case; 7(b) Loan Applications for: the Town of Buena Vista (Resolution No. 18-08), Town of Ordway (Resolution No. 18-09), St. Charles Mesa Water District (Resolution No. 18-10), Town of Eagle, and City of Central (Resolution No. 18-11); and 8(a) Loan Applications for the Town of Ordway (Resolution No. 18-13), and Routt County – Phippsburg Enterprise (Resolution No. 18-14). Upon hearing no objection or comment, a motion was made to approve the Consent Agenda as recommended.

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

**Approval of Minutes – March 2, 2018**

The March 2, 2018, Minutes were presented for approval. Bruce Smith proposed an amendment to the minutes on the Town of Antonito, Resolution No. 18-07. Mr. Smith suggested the minutes reflect Ms. Bennett's concern about the economic feasibility of the Town's project. Mr. Smith introduced a motion to amend the minutes to read: "Ms. Bennett said the Division reviewed the affordability and concluded that Antonito could not afford the preferred alternative project". Several Board members expressed concern about the Board making a determination about the Town of Antonito's economic feasibility and noted the minutes already included similar language. Judy Skram suggested to amend the minutes to read: "Ms. Bennett shared the Board's concern about the economic feasibility and the significant financial burden this project would place on the Town..." Mr. Smith withdrew his initial motion. An alternative motion was made to approve the Minutes for March 2, 2018, as amended.

Motion: Judy Skram  
2<sup>nd</sup>: Steve Price  
Vote: Motion carried

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

Chair Roy Heald rearranged Agenda item 13(a) Report of the Budget & Audit Committee and BKD, 2017 Audited Financial Statements to accommodate the Authority's auditor, BKD.

### **New Business**

#### *Report of the Budget & Audit Committee and BKD, 2017 Audited Financial Statements*

Controller Justin Noll introduced Chris Telli (Audit Engagement Partner) and Marcie Ardan (Audit Engagement Director) who presented the Authority's 2017 Audited Financial Statements. Mr. Telli thanked the Board and the Budget & Audit Committee for the opportunity and the relationship BKD shares with the Authority Board and staff, as well as the staff at the Water Quality Control Division. Ms. Ardan then reviewed the Summary of Audit Results and stated the Authority received an unmodified opinion, and there were no material weaknesses or significant deficiencies in internal control reported. There were also no non-compliance issues that were material to the financial statements. On the single audit, BKD had no findings to report, tested the Drinking Water Revolving Fund Program and found no material weaknesses or significant deficiencies in internal controls. Overall, the Authority received a clean audit report. Ms. Ardan also reviewed the required standard communications associated with BKD's audit. Next year the Authority will implement GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is similar to the pension reporting of GASB 68. The Authority will be required to record an additional liability to the Health Care Trust Fund of PERA. Additionally, GASB 85 regarding lease recognition will be incorporated into future audits. Following Ms. Ardan's presentation, Controller Justin Noll thanked the auditors and staffs of the Authority, the WQCD and DOLA for their assistance with completing the audit. Mr. Noll then 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 and Animas-La Plata), the Water Pollution Control Revolving Fund and Drinking Water Revolving Fund, and the Authority's activities within 2017. A motion was made to accept the results of the 2017 Audited Financial Statements and associated reports and to authorize staff to distribute the audited financial statements as required.

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

The meeting returned to regular business order (Agenda).

### **Other Agency Reports**

*Report of CWCB* – Anna Mauss, Project Manager/Marketing, of the CWCB referred to the written report and stated that Kirk Russell was on vacation and she would provide the report in his absence. Ms. Mauss reported on the CWCB's Board meeting held in Broomfield on March 21-22 and stated the focus of this particular meeting was on project grant funding and the Board approved approximately 30 Grants. The Board also considered recommendations for the final round of the \$10 million Water Plan Grants Program for FY17/18. Ms. Mauss also stated there has been a slight uptick of severance tax revenue and the CWCB is hopeful that trend continues for future funding, although the future impact of the oil and gas refunds is still unknown. The CWCB's annual Projects Bill passed on a 10-0 vote in the Senate Ag Committee on March 28<sup>th</sup>. The next CWCB Board meeting will be on May 23-24 in Salida. Ms. Mauss concluded the agency report by verifying all open CWCB Board positions have been filled and confirmed.

*Report of WQCD* – Ron Falco, referred to the Division's written report and reported that in May, the Division will conduct an informational briefing on the State Revolving Fund 2019-2020 Workplan. The workplan is used to drive program priorities, and will be utilized for the Division's budgeting process. Mr. Falco also reported that on March 20, 2018, the department designated the addition of orthophosphate as the required drinking water treatment that Denver Water must deploy within the next two years to reduce the lead levels in its drinking water. Denver Water has appealed that designation and will meet with Division staff to seek a viable solution. Additionally, the rulemaking hearing was held on April 9<sup>th</sup> to consider the site-specific adoption of PFOA and PFOS standards in Regulation 42 (site-specific groundwater standards). Mr. Falco was happy to report the federal spending bill, recently signed by the President, includes increased funding for both SRF Programs. Mr. Falco concluded his report with an

update on the EPA's audit of the SRF programs conducted in March and stating that a draft report should be available in May. The Division will share a copy of that draft with the Board as soon as it is received.

*Report of DOLA* – Scott Olene distributed copies of the Energy Impact Assistance Fund (EIAF) awards from the December 1<sup>st</sup> cycle and applications from the April 1<sup>st</sup> cycle. Of the \$32 million funding requests received, approximately \$7.2 million are for water and wastewater projects, and approximately \$20 million will be available for approved applicants. Staff expects to have an additional \$20 million in August, but it is unknown if the program will receive funding due to the uncertainty of refunds from the BP State Supreme Court case. Mr. Olene also reported the Program Manager vacancy at DOLA has been filled by Paul Young, who comes from the Water Quality Control Division staff, effective May 1<sup>st</sup>. Scott Olene provided Bob Wolff with information about the State Drought Task Force, stating that the members may be activated in the coming weeks as necessary.

### **Authority Reports**

*Report of Treasurer*– Controller Justin Noll reported he had nothing to add to the provided Treasurer's report and that no additional financials were provided with the 2017 Audited Financial Statements. Mr. Noll added that the Accounting Department was in the processing of updating the current year financials following the conclusion of audit preparation. 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 stated that a sign-up sheet was circulating for the upcoming Colorado Water Congress Summer Convention to be held in Vail August 22-24<sup>th</sup>. Final details for the POND events will be announced soon and the August Board meeting will be set following that announcement. Mr. Brod also stated that budget discussions continue with the Water Quality Control Division, and collaboration on creating a better process is being investigated. Mr. Brod concluded his report by stating the Authority's new IT provider, MyTech, will be making a presentation at the June Board meeting on strategies and processes for improved IT security.

*Report of Legal Counsel* – Karl Ohlsen had no separate legal report but wanted to provide clarification of his remarks at Thursday evening's Board Program Work Session on what constitutes a public meeting. Mr. Ohlsen stated that no public notice is required nor minutes be kept unless it's a public meeting and official action is taking place and two or more Board members gather to discuss Authority business in a public place. Mr. Ohlsen cautioned Board members to be cautious of discussing Authority business outside the confines of a public Board meeting.

### **Drinking Water Revolving Fund**

#### *2018 Series A Bond Resolution No. 18-12*

John Williams presented Bond Resolution No. 18-12 that sets the parameters for the upcoming spring bond issue. The borrower in this issue is the Town of Eagle. Mr. Williams noted the Town of Eagle was approved for a \$17,353,000 loan on March 2, 2018, and the supplemental loan increase for \$1,647,000 was approved on the current Consent Agenda, bringing the total loan authorization to \$19,000,000. The Authority is scheduled to receive ratings from the rating agencies and finalize the Preliminary Official Statement on May 1, 2018. The bond sale is currently scheduled for May 10, 2018, and the scheduled closing date is May 24, 2018. The bond resolution was written for a bond amount not to exceed \$9,000,000, and the interest rate not to exceed 4.5%, the final maturity date not to be later than 2043 and the program funds (consisting of Capitalization Grant and Reloan dollars) not to exceed \$20,000,000. Mr. Williams noted the parameters are intentionally set at conservative upper limits to allow for market changes. The Authority will be utilizing up to \$18 million from Authority equity funds, and the remainder will be financed through the issuance of bonds. A motion was made to adopt Resolution No. 18-12.

Motion: Bob Wolff  
2<sup>nd</sup>: Bruce Smith  
Vote: Motion carried

Following the vote, Mr. Brod informed the Board that after the March 2, 2018 Board meeting, staff learned the Authority's long-time Financial Advisor, Guy Nagahama, was laid off from Jefferies & Company. This left Authority staff seeking a replacement to begin negotiations on the upcoming bond issue. After accepting proposals from a couple of Financial Advisory firms, Authority staff selected Hilltop Securities for the DWRF 2018 Series A bond issue. It is unknown at this time if the Authority will continue to utilize Hilltop Securities for future issues.

*Town of Walden's Planning Grant Waiver Request*

Beth Fox presented the Town of Walden's request for a repayment waiver through the DWRF program. Ms. Fox reported the Town attended a pre-application meeting in October 2017 and was awarded a \$10,000 Planning Grant to complete a Project Needs Assessment for the Town's solar array project, an extension of a previous project financed through the DWRF. The Town has drawn \$5,472 of the grant and the remaining \$4,528 will not be expended due to the discovery by bond counsel of TABOR-compliance issues within the Town's water and sewer enterprise. This request comes with a favorable recommendation from staff. A motion was made to accept staff's recommendation and approve the repayment waiver.

Motion: Bruce Smith  
2<sup>nd</sup>: Judy Skram  
Vote: Motion carried

*Project and Matching Account Updates*

Keith McLaughlin referred to the written report and reported that there were no rating or outlook changes in the repurchase agreements since the last Board meeting and all agreements are in compliance with current required collateral percentages and eligible securities. Mr. McLaughlin stated the balance of the five outstanding repurchase agreements is approximately \$17 million, which represents 10% of the total portfolio. Authority staff continues to monitor the agreements and will report on any changes as necessary.

*Additional Subsidy Modifications (Update)*

Jim Griffiths reviewed the previous evening's Board Program Work Session discussion regarding the Additional Subsidy and stated the Board provided good feedback to have staff discuss with the SRF Committee to make recommendations on policy changes to return to the Board for approval as early as the next Board meeting.

*Status of Projects*

Jim Griffiths reported that since the last Board meeting, one \$10,000 DWRF Planning Grant was awarded to the Beulah Water Works District and approximately 13 remain available for 2018. Additionally, one Design & Engineering Grant was issued to the Town of Deer Trail in the amount of \$240,000, and \$1,195,000, of budgeted Design & Engineering Grants remains available for 2018. Mr. Griffiths also reviewed the DWRF Federal Funds Balance and Project Draws graph provided in the Board materials. Mr. Griffiths confirmed that no Drinking Water direct loan applications were submitted for consideration at the June 1<sup>st</sup> Board meeting. Mr. Brod stated the Board will consider approval of the required state match for the SRF Program Capitalization Grants at the June Board meeting. Mr. Griffiths confirmed the Town of Eagle's loan will close prior to the June Board meeting, and staff will provide an update with the bond sale results and the final loan rate.

### **Water Pollution Control Revolving Fund**

#### *Status of Projects*

Keith McLaughlin reported that there were no new Planning Grants awarded since the last Board meeting and fourteen WPCRF Planning Grants available for 2018. Additionally, no Design & Engineering Grants were awarded since the last Board meeting and \$711,000, of budgeted Design & Engineering Grants remains available for 2018. There may be up to six loan applications submitted for funding consideration at the June 1<sup>st</sup> Board meeting from: Town of Fleming, Fairways Metropolitan District, Town of Nederland, Timbers Water & Sanitation District, Pueblo West Metropolitan District and the Town of Antonito. Mr. McLaughlin continued his report with an update on the potential fall bond issue, that may include three to five borrowers and could be a large offering. Mr. McLaughlin reported staff recently completed vulnerability assessments for every loan in the Authority's portfolio. In total, 365 loans were evaluated and ranked on a scale of 1-7, with 1 representing entities that were most vulnerable and 7 representing entities that were least vulnerable of a future loan default. Eleven loans (or 4%) were rated as Category 1 and fourteen (or 6%) were rated as Category 2. Those entities were contacted by letter and offered information on additional assistance if needed. Mr. McLaughlin concluded his report with an update on the Authority's new website and solicited feedback from the Board.

### **Small Hydropower Loan Program**

#### *Status of Program*

Ian Loffert reviewed the terms of the Small Hydropower Loan Program as a reminder for Board members and stated to date the Authority has executed 40 matching grants totaling approximately \$521,000, and has 4 loans outstanding with an approximate balance of \$4.6 million. Mr. Loffert also reported the Colorado Energy Office held an "Energy Recovery Hydro Webinar" for 40 attendees on April 19<sup>th</sup> and the Authority's SHLP was mentioned as a financial resource several times during the presentation.

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

#### *Status Report*

Wesley Williams confirmed there has been no new activity in either program since the last update and Authority staff continues to seek opportunities to assist communities with funding.

### **La Plata Future Projects Escrow & Animas-La Plata Project**

#### *Long Hollow Reservoir – Status Report*

Mike Brod reported on the March 10<sup>th</sup> picture taken by Bob Wolff of Bobby K. Taylor Reservoir and reported the storage level is approximately 2,085-acre feet, close to the highest recorded level to date. The Reservoir is currently in compact period and that high water level may not last due to irrigation and required upstream exchanges.

### **Committee Reports**

#### *Board Program Work Session*

Roy Heald stated that the previous evening's discussion was summarized in the provided minutes, and solicited feedback from Board members. Bob Wolff requested a typo of his last name be corrected.

### **New Business**

#### *2017 Authority Annual Report, Resolution No. 18-15*

Mike Brod reported that the Authority is required by statute to provide an annual report of its activities for the preceding fiscal year to the Governor and the joint Agriculture and Natural Resources Committee of the Senate and the House of Representatives. A copy of the report and accompanying audited financial statements were provided in the Board materials for review. Mr. Brod thanked the Authority staff for its assistance compiling the Annual Report, and especially Claudia Walters for composing the accompanying Management's Discussion and Analysis (MD&A) report included in the audited financial statements. Mr. Brod explained the Board is required to adopt a resolution to approve the Annual Report. A motion was made to adopt Resolution No. 18-15, adopting the Annual Report for Fiscal Year 2017 and authorize its transmittal to the appropriate entities.

Motion: George Corkle  
2<sup>nd</sup>: Steve Vandiver  
Vote: Motion carried

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

Mike Brod reported that he was glad to hear that the Colorado Water Conservation Board's Construction Fund Bill was moved out of the Senate Ag Committee and is progressing and the Board confirmation hearings were successfully completed. Mr. Brod also reported on Senate Bill 200, regarding modifications to the PERA Public Employees' Retirement Association ("PERA") to eliminate unfunded liability, stating the bill made it out of the Senate with a few amendments, after adopting 13 amendments in the House Finance Committee. Mr. Brod will continue to monitor developments. Mr. Brod concluded his report with an update on the Water Infrastructure Now (SRF WIN) Act that provides flexibility to states' SRF Programs to utilize funds similar to the Water Infrastructure Finance and Innovation Act ("WIFIA").

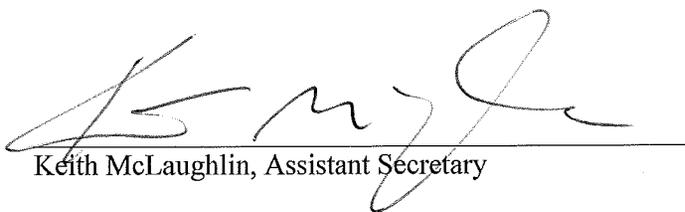
**Arrangements for Future Meetings**

The June meeting will take place on Friday, June 1, 2018, in the Authority's offices, and this meeting will include a Board Program Work Session on Thursday, May 31, 2018. The August 23, 2018, meeting will be held in Vail, in conjunction with the Colorado Water Congress Summer Conference. The exact date will be determined after conferring with Doug Kemper of the Colorado Water Congress. The October Board meeting location is also yet to be determined but likely will be held in or near La Junta so the Board can tour projects in the area. The final 2017 Board meeting in December will be held at the Authority's offices.

**Adjournment**

Chair Roy Heald adjourned the meeting at 11:31 a.m.

Respectfully submitted,



Keith McLaughlin, 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.