

**Colorado Water Resources  
and  
Power Development Authority**

**BOARD MEETING MINUTES**

**October 5, 2018**

**Call to Order**

Chair Roy Heald called the meeting to order at 9:08 a.m. in the City of La Junta Offices, located at 601 Colorado Avenue, La Junta, CO 81050.

**Roll Call and Declaration of a Quorum**

Board members present: Roy Heald, Mike Berry, George Corkle, Webb Jones, Steve Price, Bruce Smith, Steve Vandiver and Bob Wolff. Judy Skram joined via conference call. A quorum was declared with all 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 St. Mary's Glacier Water & Sanitation District (Resolution No. 18-33) and 8(a) Loan Application for the Town of Nucla (Resolution No. 18-34). Upon hearing no objection or comment, a motion was made to approve the Consent Agenda as recommended.

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

**Approval of Minutes – August 23, 2018**

The August 23, 2018, Minutes were presented for approval. Upon hearing no comments, a motion was made to approve the Minutes for August 23, 2018, as presented.

Motion:           Mike Berry  
2<sup>nd</sup>:             Steve Vandiver  
Vote:             Motion carried

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

In order to accommodate guests, Chair Heald moved to Agenda item 6(a) Public and/or Board Member Comments.

**Authority Reports**

*Public and/or Board Member Comment* – Chair Heald introduced La Junta City Manager Rick Klein and invited him to address the Board. Mr. Klein welcomed Authority Board and staff members to La Junta and stated that he hoped everyone had the opportunity to witness some of the various improvements the City has recently completed. Mr. Klein also discussed the City's new Wastewater Treatment Plant and stated that due to some project personnel changes, higher than anticipated bids and timing issues, the City expects to be about \$2 to \$2.5 million short of funds for project completion and may return to the Authority Board for consideration for additional funding. Mr. Klein concluded his report by thanking the Board for the continuing support provided for communities throughout Colorado.

**Other Agency Reports**

*Report of CWCB* – Kirk Russell, Finance Section Chief of the CWCB, did not attend the meeting, but provided a written report. Bob Wolff reported that he attended the September CWCB Board meeting in Steamboat Springs representing the Southwestern Water Conservation District and stated a significant focus of the meeting was on drought contingency planning in the Colorado River basin. The Department of Interior instructed the Bureau of Reclamation that Western states connected to the Colorado River need to have a drought contingency plan in place this year. The interstate (upper and lower basins) and intrastate (East slope and West slope) stakeholders need to meet and agree upon contingency plans. Mr. Wolff opined this was the beginning of a long process.

*Report of WQCD* – Division Director Patrick Pfaltzgraff reported briefly on the issues the Division is currently working on, including the lead in drinking water issue, PFCs and the Drinking Water budget challenges. Mr. Pfaltzgraff noted that the Division didn't fully utilize the funds allocated by the legislature last year for lead testing in schools. The Division is also working with various drinking water systems to remove/treat for PFCs and will continue to work with EPA. The Drinking Water funding challenges continue within the Division, but this is a fluid situation. The Division relies heavily on the Federal Budget (through set-asides) and the Division is seeking ways to become less reliant on Federal funds. Mr. Beck reviewed portions of the Division's written report.

*Report of DOLA* – Paul Young reported that the Energy Impact Assistance Fund (EIAF) is currently between award cycles and there was nothing new to report. DOLA is busy preparing its Fiscal Year 2019-2020 state budget for November release and review by the Joint Budget Committee. DOLA is also working on three Outreach and Education meetings that will be provided by the three partnering agencies (comprised of the Division of Local Affairs, Water Quality Control Division and the Authority) starting next week around the state. The informational meetings will be held in Durango, Grand Junction and Denver. There are currently 84 registered participants scheduled to attend the three meetings. DOLA also released a rate survey for both municipalities and special districts. Both surveys will remain open until the end of October and DOLA has received 55 responses from municipalities and 35 responses from special districts. Mr. Young concluded his report of the recent activities of the Drought Task Force.

### **Authority Reports**

*Report of Chair*– Chair Roy Heald commended staff for the success of the tour of the La Junta Wastewater Treatment Plant and presentation at the Lower Arkansas Valley Water Conservancy District and tour of its current projects. Mr. Heald also thanked Steve Price for the September water use and weather summary information he forwarded to the Board. Mr. Brod mentioned that Mr. Heald was bestowed the Manager of the Year award from the Special District Association and that several Authority staff members were in attendance when the award was presented to Mr. Heald.

*Report of Treasurer*–Controller Justin Noll reported that financial statements were provided in the Board materials through July, and on September 4<sup>th</sup> Authority staff initiated debt service payments for outstanding bonds. The total amount paid was approximately \$13.4 million for the Drinking Water Revolving Fund and \$23.6 in the Clean Water Revolving Fund programs for principal and interest payments. On September 5<sup>th</sup> Authority staff deallocated approximately \$17.6 million in the Drinking Water Revolving Fund and \$22.4 million in the Clean Water Revolving Fund programs. A motion was made to accept the Treasurer's report.

Motion:           Bob Wolff  
2<sup>nd</sup>:             George Corkle  
Vote:             Motion carried

*Report of Executive Director* – Mike Brod referred to his written report and referred to Resolution 18-31 and stated that annually the Authority adopts a Resolution to appoint Assistant Secretaries to assist in the execution of various loan and bond documents as deemed necessary. The Authority would like to appoint Finance Director Keith McLaughlin, Assistant Finance Director Jim Griffiths and Controller Justin Noll as

Assistant Secretaries to perform the duties and functions of the Secretary at such times as may be necessary. Mr. Wolff suggested Mr. Brod review the Authority Bylaws and see if it is feasible for the Authority to add an Assistant Treasurer at a future Board meeting. A motion was made to adopt Resolution 18-31.

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

*Appointment of Authority General Counsel, Resolution No. 18-32*

In a similar fashion, Mr. Brod reported that the Authority is also required to annually review and appoint general counsel to allow the efficient functioning and operations of the Authority. Mr. Brod reviewed the proposed 2019 hourly rates and noted an increase of \$5 over last year. The Authority would like to appoint Carlson, Hammond & Paddock LLC, and specifically, Karl Ohlsen, to act as general counsel to the Authority Board. A motion was made to adopt Resolution No. 18-32.

Motion: Bruce Smith  
2<sup>nd</sup>: George Corkle  
Vote: Motion carried

*Investment Policy Review* – Mike Brod stated the Authority’s Investment Policy also required annual review and approval and Keith McLaughlin reviewed a few minor changes to the Authority’s current policy. The proposed changes included addition of the words “or withdrawal flexibility” in the Liquidity section of Section III General Objectives on page 3 and changing page 8 wording from “of approximately 20 years” to “not exceeding the maturity” of the bonds. Both minor changes were at the suggestion of the Authority’s Financial Advisor, Guy Nagahama. Mr. Wolff expanded on his reasoning for the need to appoint an Assistant Treasurer and suggested Justin Noll be added as an Assistant Treasurer at the December Board meeting. Addressing questions from Judy Skram about the Authority’s investment bid process, Mike Brod suggested holding a discussion about the Authority’s investment process at the next Board Program Work Session. A motion was made to approve the Investment Policy with the two proposed changes.

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

*Northbridge Disadvantaged Communities*

Jim Griffiths reported on the Disadvantaged Community (“DAC”) criteria review and recommendations provided by Northbridge Environmental Management Consultants (“Northbridge”). The Authority retained Northbridge to review DAC criteria and provide recommendations. Northbridge analyzed and compared Colorado’s current DAC criteria to several SRF programs and concluded the following: Colorado uses the best data available and provides diversification of metrics and is the only SRF program that allows applicants to make a business case for DAC status. Additionally, Northbridge provided the following recommendations: wait for EPA’s new affordability criteria to be identified in the next couple of years, consider tying its population criterion to the state average rate of population growth rather than accepting only negative growth rates as a qualifier and adding a metric that incorporates disposable income. The Authority will continue to seek improvements to this process.

*Report of Legal Counsel* – Mr. Ohlsen had no separate legal report but wanted to thank the Authority for the informative tour and adopting the Resolution to continue the partnership with Carlson Hammond & Paddock and especially the Authority staff for making his job easier. Mr. Ohlsen continues to work with staff on loan agreements and addressing other questions from potential borrowers.

**Drinking Water Revolving Fund**

*Project and Matching Account Updates*

Jim Griffiths 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. Griffiths stated the balance of the four outstanding repurchase agreements is approximately \$13.5 million. Authority staff continues to monitor the agreements and will report on any changes as necessary. AIG's rating from Moody's is Baal but the outlook is stable and has not been downgraded. The remaining repurchase agreements will be terminated with an upcoming refunding or will mature on their own terms.

*Status of Projects*

Jim Griffiths reported that since the last Board meeting, two \$10,000 DWRF Planning Grants were awarded to the Town of South Fork and Arabian Acres Metropolitan District and approximately 9 remain available for 2018. Additionally, one Design & Engineering Grant was issued to Stratmoor Hills Water District for \$285,000 and \$280,294 of budgeted Design & Engineering Grants remains available for 2018. Mr. Griffiths stated the Board will consider a request to increase the Clean Water Program Design & Engineering budget and additional subsidy and a similar request may be forthcoming in the December Board meeting for the Drinking Water Program. Mr. Griffiths also reviewed the DWRF Federal Funds Balance and Project Draws graph provided in the Board materials. Mr. Griffiths concluded his program report with a Drinking Water Revolving Fund year-to-date comparison of executed loans from 2017 to 2018.

**Water Pollution Control Revolving Fund**

*Request to Increase the Design & Engineering Budget and Additional Subsidy*

Keith McLaughlin presented Authority staff's request for an increase of up to \$500,000 in the 2018 WPCRF Design & Engineering ("D&E") grant budget, and a corresponding increase of up to \$500,000 for additional subsidy. Mr. McLaughlin stated the Authority Board previously approved a 2018 WPCRF D&E budget of \$1,500,000 and staff anticipates an additional \$653,000 of D&E grants will likely be executed before year-end. Additionally, the Authority Board approved \$1,500,000 for additional subsidy, but due to high demand, staff is requesting an increase of up to \$500,000. Mr. McLaughlin reviewed the four additional projects expected to close by the end of the year. A motion was made to approve the \$500,000 increase in the Design & Engineering budget and related \$500,000 additional subsidy increase.

Motion: Steve Vandiver

2<sup>nd</sup>: George Corkle

Vote: Motion carried

*WPCRF 2018 Series A Revenue Bond Resolution No. 18-35*

Wesley Williams presented Bond Resolution No. 18-35, that sets the parameters for the upcoming fall bond issue. The borrowers in this issue are the City of Pueblo (approximately \$7 million), Pueblo West Metropolitan District (approximately \$7.3 million) and Security Sanitation District (approximately \$17 million). Mr. Williams noted that the bonds will be sold via competitive bid. The bond sale is scheduled for November 1<sup>st</sup> and the scheduled closing date is November 15<sup>th</sup>. The bond resolution was written for a bond principal not to exceed \$15,000,000, a net interest rate not to exceed 5%, a final maturity not to exceed 2050 and the program funds (consisting of Capitalization Grant/Reloan funds) not to exceed \$25,000,000. A motion was made to adopt Resolution No. 18-35.

Motion: Steve Price

2<sup>nd</sup>: Bob Wolff

Vote: Motion carried, Roy Heald abstained

*Status of Projects*

Keith McLaughlin reported that one new \$10,000 Planning Grant was awarded since the last Board meeting to the Town of Creede. Ten WPCRF Planning Grants remain available for 2018. Mr. McLaughlin also reported that one Design & Engineering Grant was awarded since the last Board meeting to the Town of Lake City for \$87,000. There is \$177,875 of budgeted Design & Engineering Grant funds available for 2018 and thanked the Board for the approved increase. Mr. McLaughlin provided a Clean Water Revolving Fund year-to-date comparison of loans executed from 2017 to 2018. Mr. McLaughlin concluded his report with a refunding update, stating that current rates aren't low enough to provide borrower savings, and that

rates are currently trending upward. Authority staff will continue to monitor opportunities for future refundings and reviewed the leveraged SRF full refunding structure and partial refunding structure, highlighting the advantages and disadvantages utilizing each method.

### **Small Hydropower Loan Program**

#### *Status of Program*

Beth Fox reported that since the last Board meeting, the Town of Erie was awarded a \$15,000 SHLP Matching Grant to conduct a feasibility study. There are 7 remaining SHLP matching Grants allocated for the remainder of 2018. Ms. Fox also stated that Bob Wolff suggested the Authority contact the Town of Silverton to provide information and possibly funding assistance with its small hydro project. Ms. Fox concluded her report by stating that the City of Manitou Springs submitted a \$350,000 loan application that will be considered at the December Board meeting.

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

#### *Status Report*

Ian Loffert confirmed there has been no new activity in either program since the last update. Mr. Loffert also confirmed there are 2 loans outstanding totaling \$3.1 million in the Small Water Resources Projects Program and 8 outstanding loans totaling \$106 million in the Water Revenue Bonds Program.

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

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

Mike Brod reported the storage level at Long Hollow Reservoir is approximately 200-acre feet and is essentially dead pool and confirmed that approximately 2,000-acre feet was exchanged from the reservoir this year.

### **New Business**

#### *Budget & Audit Committee*

Committee Chair Bob Wolff reported that the Budget & Audit Committee met on September 21<sup>st</sup> to review and discuss the proposed 2019 budget and the minutes of that conference call were provided in the Board materials. Mr. Wolff commended Judy Skram for her insightful questions on that conference call and appreciates the expertise she provides the committee during its comprehensive review of the draft budget.

#### *Approval of BKD 2018 Audit Engagement*

Controller Justin Noll presented the 2018 Audit Engagement Letter from BKD that reviews the engagement guidelines, audit objectives and responsibilities. Mr. Noll noted one change in this year's engagement, and that was due to a request from US Bank (the Authority's Trustee) to have additional test work performed by BKD to satisfy requirements outlined in Section 8.04 of certain Bond Resolutions as identified within the Engagement. Mr. Noll stated the engagement fee is \$90,450 this year, which represents a 2 ½% increase from the previous year, as is typical in previous years. Mr. Noll noted BKD is in its 3<sup>rd</sup> year of a 5-year commitment. A motion was made to approve BKD's 2018 Audit Engagement Letter, as recommended by the Budget & Audit Committee.

Motion:           Bob Wolff  
2<sup>nd</sup>:           George Corkle  
Vote:           Motion carried

#### *Presentation of the 2019 Budget*

Controller Justin Noll reviewed the various budget documents provided in the Board materials. Mr. Noll briefly reviewed the Authority's budget process and stated today's request was for authorization to publish the draft budget for public inspection. Mr. Noll further explained that the budget, like the Authority audit, was comprised of three funds: Water Pollution Control Revolving Fund, Drinking Water Revolving Fund and Water Operations (comprised of the Authority, Small Water Resources Program, Water Revenue Bonds Program, Small Hydropower Loan Program and Long Hollow). Mr. Noll explained that the budget

documentation provided explanations of each of the line items in detail. Notable changes to the 2019 proposed budget include: an increase in investment interest income due to higher money market interest rates, a proposed 5% salary increase for budgetary purposes, an increase in tuition reimbursement, a change to the way the Authority budgets the pension and healthcare trust expense, an increase in the medical and dental insurance and an increase in office rent due to the newly executed ten-and-a-half year lease agreement. After a brief discussion, a motion was made to authorize publication of the 2019 Draft Budget for public inspection.

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

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

Mike Brod reported that sponsor decisions will need to follow the November elections and that he would seek sponsorship for the Authority's Joint Resolution after the legislative leadership is decided.

**Arrangements for Future Meetings**

The final 2018 Board meeting in December will be held in Denver but will be held at the Warwick Hotel instead of the Authority's offices. This meeting will include a Board Program Work Session and Personnel Committee meeting. The January 2019 meeting will be held in conjunction with the Colorado Water Congress' Annual Convention at the Westin Westminster, and the March 2019 meeting will be held at the Authority's offices.

**Adjournment**

Chair Roy Heald adjourned the meeting at 11:53 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.*