

**Colorado Water Resources
and
Power Development Authority**

BOARD MEETING MINUTES

June 1, 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, 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 and members of the Board Program Work Session: 7(b) City of Craig Disadvantaged Communities Business Case, 7(c) and 8(d) Additional Subsidy Recommended Modifications and 8(a) Loan Applications for Fairways Metropolitan District (Resolution No. 18-17), Town of Nederland (Resolution No. 18-18), Pueblo West Metropolitan District and City of La Junta (Resolution No. 18-20). 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 – April 20, 2018

The April 20, 2018, Minutes were presented for approval. Upon hearing no comments, a motion was made to approve the Minutes for April 20, 2018, as presented.

Motion: Bob Wolff
2nd: George Corkle
Vote: Motion carried

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

Other Agency Reports

Report of CWCB – Kirk Russell, Finance Section Chief of the CWCB, referred to his written report and stated that Governor Hickenlooper signed the CWCB Projects Bill on May 30, 2018. The Bill includes a \$17 million loan to the Pueblo Conservancy District for Levee Improvements, \$12 million in loans for the Chatfield construction cost increases, and \$8 million for the Republican River settlement efforts. The CWCB Board meeting was held in Salida May 23rd and 24th. That meeting included six newly appointed and confirmed Board members. Mr. Russell noted a few of the new appointees are engineers and the CWCB Board has a good mix of professionals and the new appointees provide additional engineering expertise. Mr. Russell also briefed the Board on the status of the Water Plan Grants and stated that \$7 million is available for the next fiscal year and applications are now in process. Mr. Russell concluded his report stating the next CWCB Board meeting would be held in Glenwood Springs July 18-19.

Report of WQCD – Ron Falco referred to the Division's written report and reported that the Division reached and executed a settlement agreement this month with Western Sugar Cooperative. The

agreement solves air quality, water quality and solid waste violations, included a \$2 million penalty, and has multiple air and water related requirements going forward. The Division also required the addition of orthophosphate as the drinking water treatment corrosion control technique that Denver Water must employ to reduce lead levels in its customer's service lines and plumbing. Mr. Falco included an update on the WQCD's budget process and stated a stakeholder meeting is planned for June 27, 2018. A legislative update followed and Mr. Falco confirmed the 2018 legislative session has concluded. Mr. Falco finalized his report with an update on the Source Water Assessment and Protection ("SWAP") program, stating that the Division is working on clarifying the scope of work with Colorado Rural Water Association management and staff, and the expected contract start date is July 1st. Roy Heald added that the American Water Works Association ("AWWA") sent him as a representative to meet with EPA regarding perfluorinated chemicals in Colorado's drinking water.

Report of DOLA – Scott Olene reported on the status of the Energy Impact Assistance Fund (EIAF) awards from the April 1st funding cycle, stating that Tier I awards have not yet been decided, and the Tier II hearings would be held in Cortez on July 16th and 17th. Mr. Olene continued his report with an update on the status of the severance tax situation and provided a graph that illustrated the historic fluctuations in grant revenue over the years. Mr. Olene believes there will be adequate funding available for the August 1st application cycle. The Department of Local Affairs introduced Paul Young as the new Program Manager, filling the vacancy left by Barry Cress' retirement. Mr. Young worked previously at the Water Quality Control Division. Mr. Young provided a briefing regarding the drought task force, stating that the agricultural sector of the task force was activated on May 2nd. The members of the task force have been holding informational meetings and are discussing the availability of low interest loans to communities that may not otherwise qualify for financial assistance in some of the southeastern Colorado counties. These informational meetings have brought about the following concerns from communities around the state: fire bans, water restrictions, decreases in tourism, water availability and wildfire concerns. The next task force meeting is scheduled for June 11th and an update will be provided at the Authority's August Board meeting.

Authority Reports

Report of Treasurer– Controller Justin Noll reported that financials were provided through February 2018 in the Board materials and the Accounting staff continues to update the current year financials. A motion was made to accept the Treasurer's report.

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

Report of Executive Director – Mike Brod referred to his written report and congratulated Senior Accountant Rachel Tesch on her 5th year employment anniversary with the Authority. Mr. Brod also provided a brief update on the Authority's office lease, and stated a final decision should be reached within the next month. A review of the previous evening's discussion about the WQCD budget process was presented and the consensus of the Board was to proceed with the new budget process but to receive mid-year status reports on certain projects and activities. Mr. Brod then introduced Bill Bronkan and Stephanie Kingslien from MyTech, who provided a presentation of the comprehensive review and solutions MyTech conducted on the Authority's computer systems since accepting the IT role in December 2017.

Report of Legal Counsel – Mason Brown, representing Carlson, Hammond & Paddock on behalf of Karl Ohlsen, had no separate legal report. Mr. Ohlsen is on vacation in Sweden with his family.

Chair Roy Heald rearranged Agenda item 8(a) Town of Antonito (Resolution No. 18-21) and Timbers Water & Sanitation District (Resolution No. 18-19) to accommodate audience guests.

Water Pollution Control Revolving Fund

Loan Application – Town of Antonito, Resolution No. 18-21

Ian Loffert introduced Mayor Aaron Abeyta and the Town’s Engineer Amanda Atencio, who was available to answer questions and provide additional information as needed. Mr. Loffert presented the Town of Antonito’s request for a Disadvantaged Communities direct loan in the amount of \$2,882,000, at 0% interest for a term of 30 years. The proposed project consists of decommissioning the existing wastewater treatment lagoons, addition of a fully mechanical Moving Bed Biological Reactor (“MBBR”) treatment works, including a new disinfection system, headworks, clarifiers and associated appurtenances; and replacement of select collection system pipelines and manholes. Mr. Loffert reported on the compliance orders currently in effect and reviewed key components of the credit report. The Town is seeking long-term funding for its project through the Authority but has not dismissed the possibility of using a previously approved United States Department of Agriculture (“USDA”) loan. In addition, the Town may consider changing the project scope by utilizing a Discharger Specific Variance (“DSV”) alternative. This project did not receive a recommendation from the Project Finance Committee. Mayor Abeyta addressed the Board and stated that he believed the Town is in better financial standing than the numbers provided in the credit report reflect. Ms. Atencio distributed a 2017 draft profit and loss statement created with the assistance of the Town’s clerk. Mr. Loffert clarified that the Authority calculations were based on 2016 Audited Financial Statements and the Town is using 2017 unaudited numbers. Ms. Skram proposed postponement of this loan request until the Town and Authority staff can provide financial numbers and calculations that are in agreement. Mike Berry expressed concern about the large discrepancy between the Authority’s financial analysis and required rate increase and the Town’s and asked if the Town had conducted a recent cost of service analysis. Mayor Abeyta stated he believed the Town had, but didn’t have copies of the analysis available. Mike Beck also expressed concern about the Town’s ability to operate and maintain the proposed MBBR plant. After further discussion, a motion was made to table the Town of Antonito’s loan request until completion of the Town’s 2017 audit and submission of an independent cost of service analysis.

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

Loan Application – Timbers Water & Sanitation District, Resolution No. 18-19

Beth Fox introduced District Manager Kasey O’Halloran, District Engineer Mary Andre and former District Manager Jodi Lightfoot, who joined via video conference. Ms. Fox then presented Timbers Water & Sanitation District’s request for a Disadvantaged Communities direct loan in the amount of \$561,225, at 0% interest for a term of 30 years. The proposed project consists of repairing and replacing approximately 2,900 linear feet of collection lines and associated appurtenances, and design & engineering for a new wastewater treatment plant. This project did not receive a recommendation from the Project Finance Committee. The District’s representatives explained the rate structure in detail and the phasing process of this project. Webb Jones stated the \$30.00 monthly water rate was likely insufficient to repay the EIAF loan with DOLA and asked if the District intended to pay this debt with its reserves. Ms. O’Halloran noted she believed this was the intention. Mr. Jones in turn followed up with a question for DOLA, asking if \$30 water rates were acceptable for loan repayment compliance, and Scott Olene stated EIAF loans are not monitored for compliance, only for timely payments and that the District is current in loan repayments. A motion was made to adopt Resolution No. 18-19, approving a wastewater direct loan to the Timers Water & Sanitation District and execution of a loan agreement and other documents necessary therefor, subject to: meeting the Authority’s three-month operations and maintenance reserve fund covenant, compliance with the Authority’s statutory loan terms and the District creating a separate sewer enterprise fund and accounting for that fund in the District’s financial statements.

Motion: Webb Jones
2nd: Judy Skram
Vote: Motion carried

The meeting returned to regular business order (Agenda).

Drinking Water Revolving Fund

2018 Capitalization Grant Award, Resolution No. 18-16

Keith McLaughlin referred to Resolution 18-16, and stated the Resolution provides the formal authorization for the Authority to execute and accept the Capitalization Grant and provide for the required 20% State Match. Mr. McLaughlin stated there was a total increase of approximately \$300 million in each SRF program and applauded the efforts of the WQCD in conducting the Needs Surveys that helped to provide the DWRF Grant increase justification. Mr. McLaughlin explained the Resolution for the Drinking Water Capitalization Grant set forth the following parameters: an amount not to exceed \$23,000,000, and the required 20% State Match. The Grant conditions will be available upon EPA execution and the Board will then consider Additional Subsidy and Green Project Reserve requirements, if any. A motion was made to adopt Resolution No. 18-16, approving and ratifying the DWRF Capitalization Grant Award for fiscal year 2018 between the Authority and the EPA and providing for the commitment and deposit of funds to comprise the state match.

Motion: Webb Jones
2nd: Steve Vandiver
Vote: Motion carried

2018 Series A Bond Sale Results

John Williams stated the Authority staff was pleased with the results of the DWRF 2018 Series A bond issue and reported that the amount of bonds was \$5,180,000 and the yields range from 1.70% in 2018 to 3.55% in 2040. This was the Authority's smallest bond issue to date and lacked size efficiencies the Authority had with the Town of Breckenridge (DWRF 2017 Series A) and the City of Durango (WPCRF 2016 Series A). The sole borrower in this bond issue is the Town of Eagle and the loan rate is 2.439%. The Town has awarded its construction contract, and is beginning to acquire materials for the project. The underwriter for this issue is Stifel, Nicolaus & Company, and the underwriter's discount was \$8.50 per bond.

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 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.

Status of Projects

Jim Griffiths reported that since the last Board meeting, one \$10,000 DWRF Planning Grant was awarded to Stratmoor Hills Water District and approximately 12 remain available for 2018. Additionally, one Design & Engineering Grant was issued to St. Mary's Glacier Water and Sanitation District in the amount of \$300,000, and \$895,000, 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 are expected for funding consideration at the August 23rd Board meeting. Mr. Griffiths confirmed the Town of Eagle's loan closed successfully in conjunction with the 2018 Series A bond issue.

Board members Mike Berry and Bob Wolff exited the meeting.

Water Pollution Control Revolving Fund

Mountain View Villages Water & Sanitation District Hardship Request

Keith McLaughlin reviewed the previous evening's Board Program Work Session discussion about Mountain View Villages Water & Sanitation District's request to extend its existing 2009 direct loan from a 20-year loan term to a 30-year loan term, and to defer its next two scheduled payments to provide immediate economic relief. Mr. McLaughlin stated both requests received favorable recommendations from the majority of Board members. Scott Olene noted the SRF Committee's policy of not extending loan terms past the useful life of the project. A motion was made to extend Mountain View Villages Water & Sanitation District's 2009 WPCRF 20-year loan to a 30-year term by amending the existing loan agreement; subject to the District raising rates, if necessary, over a 24-month period to meet its three-month O&M reserve fund requirement and subject to the Water Quality Control Division determining the project's useful life is equal to or exceeds the loan term and complying with applicable Authority's statutes (namely Senate Bill 18-019).

Motion: Webb Jones
2nd: Steve Price
Vote: Motion carried, Bruce Smith opposed

A subsequent motion was made to defer the District's scheduled June 15th and July 15th loan payments by amending the existing loan agreement; subject to the District restricting the full amount of both payments to its capital reserve account.

Motion: Webb Jones
2nd: Judy Skram
Vote: Motion carried, Bruce Smith opposed

2018 Capitalization Grant Award, Resolution No. 18-22

Keith McLaughlin referred to Resolution 18-22, and stated this Resolution was similar to the DWRF Capitalization Grant Award Resolution and provides the formal authorization for the Authority to execute and accept the Capitalization Grant and provide for the required 20% State Match. Mr. McLaughlin explained the Resolution for the Clean Water Capitalization Grant set forth the following parameters: an amount not to exceed 13,500,000, and the 20% State Match. The Grant conditions will be available upon execution and after execution the Board will consider the additional subsidy and Green Project Reserve requirements, if any. A motion was made to adopt Resolution No. 18-22, approving and ratifying the WPCRF Capitalization Grant Award for fiscal year 2018 between the Authority and the EPA and providing for the commitment and deposit of funds to comprise the state match.

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

Status of Projects

Keith McLaughlin reported that two new \$10,000 Planning Grants were awarded since the last Board meeting to the Town of Dinosaur and the City of Gunnison. Twelve WPCRF Planning Grants are still available for 2018. Mr. McLaughlin also reported that 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 August Board meeting and it appears there will be three borrowers in the fall bond issue. Mr. McLaughlin continued his report with an update on the timely scheduled payment from the Town of Cokedale on its direct loan. Mr. McLaughlin concluded his report with an update on the Authority's historical timeline on the new website and solicited feedback from the Board.

Small Hydropower Loan Program

Status of Program

Wesley Williams reported that one new Matching Grant was awarded since the last Board meeting to the City of Golden in the amount of \$15,000. Eight SHLP Matching Grants are available for the remainder of 2018.

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 but Authority staff has met with Northern Colorado Water Conservancy District about the possibility of funding several projects. There are currently two outstanding loans in the SWRP Program totaling approximately \$3.8 million and backed by an \$8.5 million reserve fund.

La Plata Future Projects Escrow & Animas-La Plata Project

Long Hollow Reservoir – Status Report

Mike Brod reported the storage level is approximately 839-acre feet and is diminishing rapidly.

Committee Reports

Project Finance Committee

Chair Bruce Smith apologized to the Board that Timbers Water & Sanitation District credit didn't make it to the Consent Agenda but members of the Project Finance Committee felt it necessary to fully discuss the credit due to the complexity of the rate and fee structures.

Board Program Work Session

Webb Jones reviewed the provided minutes, and solicited feedback from Board members. Mr. Jones noted that some Board members are uncomfortable with the current method and metrics used to designate Disadvantaged Communities and encouraged staff to continue seeking opportunities for improvement. Mr. Brod committed to meet with a consultant to seek potential process and metric improvements.

New Business

Legislative Issues and Other Business of Interest to the Authority

Mike Brod reported SB18-200 (Modifications to PERA Public Employees' Retirement Association to Eliminate Unfunded Liability) has not yet been signed by the Governor, although it is likely to be signed within the next week. Mr. Brod also reported on the Water Infrastructure Improvements For the Nation ("WIIN") Act, legislation that makes Water Infrastructure Finance and Innovation Act ("WIFIA") like funding available to states for its SRF Programs, if needed.

Arrangements for Future Meetings

The August 23, 2018, meeting will be held in Vail, in conjunction with the Colorado Water Congress Summer Conference. The October 5, 2018, Board meeting location is 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 2018 Board meeting in December will be held at the Authority's offices.

Adjournment

Chair Roy Heald adjourned the meeting at 12:30 p.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.