

**Colorado Water Resources
and
Power Development Authority**

BOARD MEETING MINUTES

January 24, 2018

Call to Order

Chair Roy Heald called the meeting to order at 2:00 p.m. in the Wind River Conference Room of the Hyatt Regency Denver Tech Center, located at 7800 E. Tufts Avenue, Denver, CO 80237.

Roll Call and Declaration of a Quorum

Board members present: Roy Heald, Mike Berry, George Corkle, Steve Price, Judy Skram, Bruce Smith, Steve Vandiver and Bob Wolff. 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: 7(a) Loan Application for the Town of Grand Lake (Resolution No. 18-01); 8(a) Loan Applications for The Town of Fowler (Resolution No. 18-02) and the Town of Saguache (Resolution No. 18-03); and 8(c) Town of Bennett Direct Loan Request (Resolution No. 18-05). Upon hearing no objection or comment, a motion was made to approve the Consent Agenda as recommended.

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

Approval of Minutes – December 1, 2017

The December 1, 2017, Minutes were presented for approval. Upon hearing no comments, a motion was made to approve the Minutes for December 1, 2017, as presented.

Motion: Mike Berry
2nd: Judy Skram
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 introduced Rachel Pittinger, CWCB's new Finance Section Engineer. Mr. Russell referred to his written report and stated the CWCB Board met January 22nd and 23rd and discussed extensively its funding sources, the severance tax situation and its impact on the CWCB's Construction Loan Program. Mr. Russell stated the agency's typical \$35-\$40 million allocation is in question, and the program could receive \$0 in funding this session. The CWCB has amended its 10-5-10 Water Plan implementation effort (\$10 million in supplemental funding for the Water Supply Reserve Fund; \$5 million in the Water Shed Restoration Program; and \$10 million for the Water Plan Grants) formula and reduced it to 2-2-7, respectively, for the next round of funding. Mr. Russell continued by stating three CWCB Board members' terms would be up on February 12th; Ty Wattenberg (North Platte River), John McClow (Gunnison-Uncompahgre River) and Jim Yahn (South Platte River). Mr. Yahn was confirmed last year to fill Diane Hoppe's seat and serve her remaining term. The next CWCB Board meeting will be March 21-22 in Broomfield.

Report of WQCD – Ron Falco referred to the Division’s written report and reported the Water Quality Control Commission adopted changes to the nutrient standards and the nutrients control management regulation (Reg. Nos. 31 and 85), in October and one entity has expressed interest in the incentive program. In March, the Commission will hold a rulemaking hearing regarding the On-Site Wastewater Treatment System Regulation. Mr. Falco continued his report with an update on the Division’s budget process and reported that Mike Beck met with Authority staff in mid-January in preparation for the Division’s 2019 Authority budget request. Mr. Falco also provided an update on the Lead Testing in Schools Program and reported that applications submitted did not utilize the full available funding. Two funding applications were submitted and Division staff is working to determine the reason(s) interested parties in the stakeholder process did not submit applications. Mr. Brod confirmed that a conference call had been scheduled for the Authority liaison to the WQCC, Roy Heald, and Rick Hum, the WQCC liaison to the Authority Board.

Report of DOLA – Scott Olene reported on the Energy Impact Assistance Fund (EIAF) awards, stating that a handout was distributed that included awards from the August 1st application cycle. DOLA awarded \$3.8 million in water and wastewater grants. A list of the Tier I and Tier II applicants from the December 1st application cycle was also provided. Mr. Olene reported that Mike Brod and Patrick Pfaltzgraff will be invited to the hearings scheduled in March, to discuss water and wastewater policy. DOLA expects to have \$20 million in available funding for the current application cycle as well as the April application cycle. Mr. Olene reported the State is still dealing with the uncertainty of refunds owed because of the BP case for the last three years. Mr. Olene concluded his report with a staffing update, stating that the vacant Program Manager position will be posted in the next two weeks and will be open for approximately one month to collect qualified candidates.

Chair Roy Heald rearranged Agenda item 8(a) Colorado Centre Metropolitan District, Resolution No. 18-04 to accommodate audience guests.

Water Pollution Control Revolving Fund

Colorado Centre Metropolitan District, Resolution No. 18-04

Beth Fox introduced Cindy Monroe (District Manager) and Paul Anderson (General Counsel) and provided a brief background on the District, its history (including its Chapter 9 bankruptcy and subsequent receivership) and the current intergovernmental agreements that involve the District. Ms. Fox presented Colorado Centre Metropolitan District’s (“District”) request for a direct loan through the WPCRF loan program in the amount of \$1,493,500, at an interest rate of 2% for a term of 20 years. The project consists of implementation of a chemical treatment process for phosphorus reduction at the Harold D. Thompson Regional Water Reclamation Facility, of which the District is a 25% owner. This project received a favorable recommendation from the Project Finance Committee. A motion was made to adopt Resolution No. 18-04, approving a wastewater direct loan to the Colorado Centre Metropolitan District and execution of a loan agreement and other documents necessary therefor, subject to the exclusion of all revenues pledged to the District’s 1992 bankruptcy plan.

Motion: Bruce Smith
2nd: Roy Heald
Vote: Motion carried

The meeting returned to regular business order (Agenda).

Authority Reports

Report of Treasurer– Bob Wolff referred to the Treasurer’s written report and stated that he was interviewed by BKD, the Authority’s auditor, as part of its annual review. Mr. Noll continued the Treasurer’s report and stated financials were provided through November and Authority staff continues to make year-end audit preparations. The auditors were on-site the second week in January preparing single audit testing and interim audit planning. BKD will return to the Authority offices in March to complete

the audit. The Accounting staff is also preparing for the upcoming March 1 bond debt service, where holders of the Authority WPCRF & DWRF bonds are paid interest on their investment. Mr. Noll also reported the Authority purchased an electronic banking module to assist in making electronic payments to its vendors and Board members. The Authority's new IT consultants "went live" on January 15th and, so far, the transition has been smooth and several Authority processes have been streamlined and improved. As part of this transition, Mr. Brod reported the fiber optic connection needed to be severed and resulted in an unforeseen expense of approximately \$23,400, to Comcast, but saved the Authority approximately \$24,000 in total costs. The new IT consultants are also tasked with improving the Authority's wi-fi connection by the next Board meeting. 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 reported the Authority was celebrating many January anniversaries, notably Wesley William's 5-Year Anniversary on January 7th, Keith McLaughlin's 20-Year Anniversary on January 16th and Mike Brod's 24-Year Anniversary on January 24th. Mr. Brod thanked both Mr. Williams and Mr. McLaughlin and presented each a plaque of appreciation.

Water Innovation Fund

Mike Brod introduced Kathy King and Mark Loch. A discussion was held regarding the idea of a Water Innovation Fund. After discussion and questions there was no interest by the Board in pursuing the idea.

Report of Legal Counsel – Karl Ohlsen had no separate legal report but wanted to remind Board members of his upcoming conflicts of interest and fiduciary duty presentation at a future meeting. Mr. Ohlsen and Mike Brod will discuss and set an agenda item on a future Board agenda.

Drinking Water Revolving Fund

Design & Engineering Grants – Allocation of 2017 Unobligated Funds

Jim Griffiths reported this is the time of year that Authority staff reviews the allocation procedure for unobligated principal forgiveness funds. Mr. Griffiths reviewed the EPA's Capitalization Grant additional subsidy requirement and stated for the Drinking Water Revolving Fund ("DWRF") Program the amount was 20%, or approximately \$2.9 million. The Authority Board previously budgeted \$1.5 million for Design & Engineering Grants for 2017. At year end, the DWRF Program has approximately \$2.2 million in unobligated principal forgiveness funds available. As per the Intended Use Plan, Disadvantaged Communities were prioritized and the following five entities for the DWRF program received the remaining additional subsidy funding: Town of Oak Creek, Town of Salida, Town of Cedaredge, Town of Hotchkiss and Town of Poncha Springs. Similarly, in the Water Pollution Control Revolving Fund ("WPCRF") Program, two entities, the Town of Nucla and the Town of Bennett, ranked higher and received available principal forgiveness funds. Mr. Griffiths welcomed the Board's suggestions for alternative ways to distribute these unobligated funds and reminded the Board that the SRF Committee has been convened to recommend an alternative process for the Board to consider, later in the year.

Larimer County Prepayment Loan Amendments

Wesley Williams presented Larimer County's request to amend the outstanding County's Local Improvement District ("LID") direct loans to allow remittance of prepayments to the Authority on the next regularly scheduled loan repayment date (instead of immediately after receipt, as currently required). Mr. Corkle asked what mechanism would prevent the County from keeping the prepayments and Mr. Williams confirmed that the loan agreements require the County to place prepayment funds in the respective LID's account and that we have never had any payment issues with any of the existing LIDs. This request received a favorable recommendation from the Project Finance Committee. A motion was

made to approve a loan amendment to each of the Larimer County Local Improvement District loans to allow the County to remit prepayments to the Authority on the respective LID's next regularly scheduled loan repayment date. Mr. Heald questioned if counsel was in support of these loan amendments, and Mr. Ohlsen confirmed he was in favor of the amendments to reduce the administrative burden on both Larimer County and Authority staff.

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

Project and Matching Account Updates

Keith McLaughlin referred to the written report and reported there have been no rating changes and one outlook change since the last Board meeting. Massachusetts Mutual's ("Mass Mutual") outlook was decreased from "Stable" to "Negative" by Moody's. This means there is a one-in-three chance that it could be downgraded over the next 18-24 months. Staff will continue to closely monitor all investment providers. Mr. McLaughlin stated that all agreements are in compliance with required collateral percentages and eligible securities as required. Mr. McLaughlin concluded his report by reviewing the balances in the project and matching accounts totaling approximately \$167 million.

Status of Projects

Jim Griffiths reported that the Town of Eagle submitted its \$17.3 million SRF loan application for the March Board meeting, and the credit report is currently in process. Applications are also expected from the St. Charles Mesa Water District and the Town of Ordway. Mr. Griffiths provided a brief year in review of the DWRP activities in 2017, including: 16 pre-qualification meetings attended; 7 project development meetings attended; 5 Design & Engineering Grants executed; 5 direct loans executed; 1 leveraged loan closing; and 162 borrower requisitions completed. There was one early leveraged loan payoff in 2017, from the Little Thompson Water District.

Water Pollution Control Revolving Fund

Status of Projects

Keith McLaughlin reported that one \$10,000 2017 Planning Grant was awarded since the last Board meeting to the Town of Manassa. There are fifteen WPCRF Planning Grants available for 2018. Additionally, three Design & Engineering Grants were awarded since the last Board meeting to St. Mary's Glacier Water & Sanitation District (\$240,000), Town of La Veta (\$300,000) and Town of Ordway (\$158,600). There is \$1,042,000, of budgeted Design & Engineering Grants remaining for 2018. One loan application is expected at the March Board meeting from the Town of Ordway. Mr. McLaughlin continued his report with a brief year in review of the WPCRF activities in 2017, including: 18 pre-qualification meetings attended; 7-8 project development meetings attended; 7 Design & Engineering Grants executed; 7 direct loans executed; and 165 borrower requisitions completed. Mr. McLaughlin provided an update on the Green Project Reserve policy and stated that three stakeholder conference calls were held and staff is currently working through that process and staff hopes to offer three viable options for the Green Project Reserve Policy at the March Board meeting. Mr. McLaughlin concluded his report by congratulating Wesley Williams on his recent appointment to two Boards: the Rocky Mountain Section of the Association of Energy Service Professionals and SWITCH.

Small Hydropower Loan Program

Status of Program

John Williams reviewed the SHLP Program terms: eligible projects up to 10 megawatts, \$5 million maximum loan amount per governmental agency, 30 year term and an interest rate of 2%. Since the last Board meeting, one \$15,000 SHLP Matching Grant was awarded to the Town of Nederland. Nine remaining SHLP Matching Grants are available for 2018. Mr. Williams confirmed Authority staff has reached out to the Town of Palisade, City of Durango, Pueblo Board of Water Works and the City of

Delta as previously suggested by Authority Board members and provided additional information and contact information to each entity.

Water Revenue Bonds & Small Water Resources Projects

Status Report

Beth Fox reminded Board members that both the WRBP and SWRP programs exist for borrowers that are not eligible for funding through the DWRP or WPCRF Programs. Ms. Fox stated that the WRB Program is operating as normal with eight loans outstanding, with an approximate balance of \$108 million. Ms. Fox stated the SWRP program has two outstanding loans from the Parker Water & Sanitation District and the City of Rifle, and an aggregate balance of approximately \$4.85 million. The final payment for the bonds is expected in October of 2023.

La Plata Future Projects Escrow & Animas-La Plata Project

Long Hollow Reservoir – Status Report

Mike Brod reported that the current storage level at Bobby K. Taylor Reservoir is approximately 1,700 acre feet, which is surprisingly high for the season. Mr. Brod stated that we are currently in a non-compact period and can store water, and storage is increasing. The non-compact period ends in February and at that time, the District will be required to release water to New Mexico if it can't be delivered through natural flows of the La Plata River.

New Business

Legislative Issues and Other Business of Interest to the Authority

Mike Brod reported that due to the Continuing Resolution at the Federal level, Authority staff is unsure when the Capitalization Grants for the SRF programs will be submitted and awarded. Staff will continue to monitor the situation and will report to the Board as necessary. Mr. Brod reported that Keith McLaughlin testified earlier today in front of the House Ag Committee on Mr. Brod's behalf on the Project Eligibility Lists (SJR 18-003). Senate Bill 18-19 was introduced on January 18th and was assigned to the Senate Ag Committee. Mr. Brod testified on the bill and there was only one no vote. A second reading and vote is expected within the next few weeks.

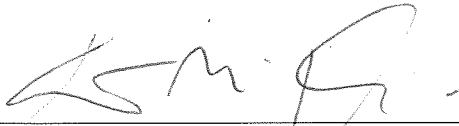
Arrangements for Future Meetings

The March meeting will take place on Friday, March 2, 2018, in the Authority's offices, and will involve a Board Program Work Session on Thursday, March 1, 2018. Chair Heald suggested the Authority Board meet to discuss the Board's expectations for the Budget process prior to the discussion with the WQCD in April. Discussions about the Memorandum of Understanding and Intended Use Plans may also be included on the agenda. Subsequent meetings will be held on April 20, 2018, and June 1, 2018, in the Authority's offices. The August 23, 2018, meeting will be held in Vail, in conjunction with the Colorado Water Congress Summer Conference. Future meetings may be held in Durango, La Junta and/or Lamar.

Adjournment

Chair Roy Heald adjourned the meeting at 5:06 p.m.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'K. McLaughlin', written over a horizontal line.

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.