

**UPPER ARKANSAS WATER
CONSERVANCY DISTRICT**

Water Activity Enterprise Committee

**December 13, 2018
1:00 P.M.**

The Upper Arkansas Water Conservancy District Water Activity Enterprise committee held its regular meeting Thursday, December 13, 2018, at the District offices, 339 East Hwy 50, Salida, Colorado, commencing at 1:00 P.M., notice having been given by posting of Notice and Agenda on December 12, 2018, at the offices of the Upper Arkansas Water Conservancy District, 339 East Hwy 50, Salida, Colorado.

COMMITTEE MEMBERS PRESENT

Ralph L. (Terry) Scanga	Ken Baker	Robert M. Senderhauf
Franklin J. (Jay) Moore	Tim Payne	Gregory W. Felt
Brett A. McMurry	Tom E. French	Mannie Colon
John H. Sandefur	Jeff Ollinger	

COMMITTEE MEMBERS ABSENT

Robert B. (Bill) Donley	Timothy C. Canterbury	Richard Hilderbrand
Thomas Goodwin		

DISTRICT OFFICIALS/STAFF MEMBERS PRESENT

Chelsey Nutter, Projects Manager	Kendall K. Burgemeister, Attorney
Jord Gertson, Hydrologist	Leila Behnampour, Attorney
Chris Manera, Engineer	Kimberly Kerschke, Secretary

DISTRICT OFFICIALS/STAFF MEMBERS ABSENT

None

STATE OFFICIALS PRESENT

Brian Sutton, Water Commissioner

GUESTS PRESENT

Harald Kasper, City of Salida
Tom Flower, Custer County
Dick Shea, Penrose
Phyllis Shea
Judy Sandefur
Kristie Nackord, Fremont County

CHAIRMAN'S INTRODUCTION

Introduction of guests will be held over to the Board meeting.

MINUTES OF THE MEETING OF November 8, 2018

The minutes of the meeting of November 8, 2018, were unanimously approved upon motion by committee member Payne with second by committee member Moore.

TREASURER'S REPORT

Upon motion by committee member Colon with second by committee member Sandefur, the committee unanimously approved the financial report dated November 30, 2018.

MANAGER'S REPORT – Terry Scanga

Augmentation Report

Manager Scanga displayed the augmentation reports for October and November. As of the end of November total State approvals for augmentation were 611.38 acre-feet. Replacements for the month were 35.62 acre-feet including transit loss.

RECORD OF PROCEEDING

Manager Scanga presented the Investment Program Policy Resolution for the District and Enterprise and asked if there were any questions or input. The document was drafted by Manager Scanga and Attorney Burgemeister and was sent to the Board in advance of the meeting for review. Manager Scanga said that it is important to remember that we have both tangible and intangible assets, including both water rights decrees and agreements, and without our intangible assets we would not be able to have an augmentation replacement plan. Key elements of the policy are that it allows for flexibility while also protecting our liquid assets.

Upon motion by committee member Payne and second by committee member Sandefur, the committee approved the Investment Program Policy Resolution 2018-1. Committee member Ollinger opposed the motion.

Discussion followed regarding the Investment Program Policy Resolution. Committee member Ollinger expressed his opinion that the policy seemed bureaucratic and over-stated. He was concerned that cash management was not specifically discussed and that there were no specific or achievable goals highlighted in the policy. Committee member Moore interjected and said that cash management is a part of investment. Committee member Ollinger suggested that any money exceeding average expenses should be invested in a yield bearing account and this should be noted in the policy. Committee member Moore offered that fluctuations in interest rates will impact return on investment. Committee member Colon said the intention of the policy is to provide direction to Manager Scanga while also allowing for flexibility.

Attorney Burgemeister responded to committee member Ollinger's concerns and referenced Section V, Paragraphs 3 and 4. Paragraph 3 states that the assets that may be immediately required to be disbursed shall be placed in insured, liquid, checking or savings accounts. Paragraph 4 states that assets that are not immediately required to be disbursed may be placed in high interest accounts. Attorney Burgemeister said that these policy specifics address committee member Ollinger's request and that too much specificity reduces flexibility. It was also noted that a target interest rate cannot be suggested because of market fluctuations.

Committee member Ollinger suggested a definition of the sufficient amount needed to cover operating expenses. Manager Scanga responded that numbers change month by month, noting that some of our funds are reimbursable funds related to grant funding that get paid out immediately. Manager Scanga said that setting an absolute number for investment would be a bad policy due to these fluctuating deposits and disbursements. Manager Scanga said that funds not immediately required to be disbursed is the right language to have for investment direction, which is how the policy is stated.

Committee member Felt said that he agreed with Manager Scanga and that the phrasing makes sense. He has researched the policies in place for the Southeastern Colorado Water Conservancy District and Chaffee County and this plan is very similar to theirs. Committee member Felt said he especially likes the prioritization of objectives in the policy and that maintaining flexibility for the Manager is important.

Committee member Payne said he also agreed with committee member Felt and Manager Scanga and said that putting a formula into the policy is a bad idea. Committee member Moore added that investing is fun, flexibility is imperative, and the more rigid we are now the more likely we will be to break the rules in the future.

Consultant Baker offered a historical perspective, noting that he and Denzel Goodwin put up most of the money for District operations in the beginning. By looking at the balance sheet and the District's operations today we can see how effective management has been at managing assets.

Following discussion on the Investment Program Policy Resolution, Manager Scanga said that the Finance committee met with ColoTrust and also looked at CSafe. The rates through ColoTrust are a little higher than CSafe, they are a bigger company with more assets, investments are liquid, and the company has a solid track record. Even during an economic downturn, ColoTrust's asset base has always been valued at a minimum of 100%. Manager Scanga said he believes ColoTrust is the safer investment and recommended participation in the Colorado Local Government Asset Trust. A resolution is needed for

RECORD OF PROCEEDING

both the Board and the Enterprise to invest money, both of which have been included in the Board's binders for review.

Committee member Ollinger asked about the method used and time frame needed to draw down money and pay bills. Manager Scanga said that there would be an online account to move funds directly between our account and ColoTrust. Only certain people would be authorized to make those transfers and the availability of funds is within 24 hours. The minimum balance on an account is \$1. Attorney Burgemeister added that the account cannot be used to pay bills, but funds are available for transfer 24 hours a day, 365 days a week.

Committee member French added that he was impressed by the presentation from ColoTrust and he made a motion to approve Resolution 2018-1 Authorizing Participation in the Colorado Local Government Liquid Asset Trust. The motion was seconded by committee member Ollinger and approved unanimously by the Enterprise committee.

HYDROLOGIST REPORT

Reservoir Storage

Hydrologist Gertson reported that in our Twin Lakes account, we have 0.0 acre-feet of native water, 17.0 acre-feet of Twin Lakes, Transmountain water, and 117.1 acre-feet of project carryover. Pueblo reservoir has 670.5 acre-feet of project carryover and 1,000 acre-feet of project water. Total storage is at 3716.8 acre-feet.

Following Hydrologist Gertson's report, committee member Colon inquired if the instream flow program is hurting our ability to refill. Hydrologist Gertson responded that we have been able to start refilling under priority and the Colorado Water Conservation Board (CWCB) has removed their call. When the CWCB placed a call, they stated it was for the irrigation season. Their call has now been satisfied and they do not need to place a call at this time.

Manager Scanga asked if the call being removed relates to the fact that North Fork has filled historically during non-irrigation season since 1952. Water Commissioner Sutton responded that the CWCB is trying to work with the District and the meeting scheduled next week will hopefully be a continuation of those efforts.

ENGINEER'S REPORT – Chris Manera, Colorado River Engineering

Deferred to next meeting

LEGAL REPORT - Kendall Burgemeister, Law of the Rockies

Deferred to District Board meeting

OTHER BUSINESS

Attorney Burgemeister noted that there are issues of concern for the Enterprise that will be addressed during the District Board meeting. The Enterprise meeting was held open and the Board meeting convened at 1:26 P.M.


ADJOURN

Adjournment of the Enterprise meeting was postponed until the conclusion of the District Board meeting so that matters pertaining to the Enterprise could be addressed.

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Respectfully submitted,


Ralph L. Scanga, Jr., General Manager


Ken Baker

Absent from Meeting- No Signature

Timothy C. Canterbury


Mannie Colon

Absent from Meeting- No Signature

Robert B. Donley


Gregory W. Felt


Tom E. French

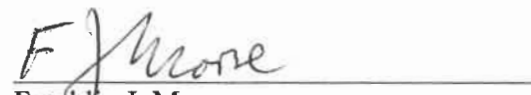
Absent for Approval - No Signature
Brett A. McMurry

Absent from Meeting- No Signature

Thomas Goodwin

Absent from Meeting- No Signature

Richard Hilderbrand


Franklin J. Moore


Jeff Ollinger


Tim Payne


John H. Sandefur


Robert M. Senderhauf