



COLORADO

**Colorado Water
Conservation Board**

Department of Natural Resources

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TO: Colorado Water Conservation Board Members

FROM: Kirk Russell, P.E., Finance Section Chief

DATE: November 16-17, 2016 Board Meeting

AGENDA ITEM: 9a. 2017 Projects Bill
Colorado Water Plan Funding

At the September 2016 Finance Committee Meeting, staff indicated the availability of \$75 million as a result of revenue from Severance Tax in excess of average revenues over the last five year period. Staff is recommending that this excess cash be dedicated to the funding needs identified in the Colorado Water Plan. It is important to note that the Severance Tax revenue projections for 2017 and 2018 are very low, which will have an impact on CWCB program funding. The revenue projections can be inaccurate and variable; therefore, CWCB does not make financial commitments based on these projections. Staff is recommending that the \$25 million three year Funding Plan be based on an annual decision and subsequently placed in the Projects Bill annually. The Board will review the CWCB's financial capacity each year at the annual Financial Committee meeting and make recommendations whether or not to fund at the \$25 million level. Staff and Board recognize that this \$75 million Funding Plan is less than 0.5% of the \$20 billion need for funding as identified in the Water Plan. The Funding Plan is comprised of the following:

- (1) Water Supply Reserve Fund (WSRF) - \$10 million Supplemental Funding** - This supplemental funding will help offset the current year's low distribution of Severance Tax revenues. This will require transferring \$10 million from the Severance Tax Perpetual Base Fund to the WSRF on July 1, 2017 for use in funding water supply projects under the criteria and guidelines developed for the WSRF.
- (2) Watershed Restoration Program - \$5 million** - This will require transferring \$5 million from the Severance Tax Perpetual Base Fund to the Construction Fund for use in the Watershed Restoration Program on July 1, 2017 for planning, engineering, and implementation measures, aquatic habitat protection, restoration work, and monitoring efforts to address technical needs for watershed restoration and flood mitigation projects, and to support healthy stream and watershed goals.
- (3) Water Plan Implementation Funding - \$10 million** - This funding will assist in funding the implementation of the Colorado Water Plan through CWCB's Non Reimbursable Investments (NRI's). The 2017 Projects Bill will increase the current annual transfer from \$5 million to \$10 million from the Severance Tax Perpetual Base Fund to the Construction Fund for approved NRI projects considered in September 2017 for inclusion in the 2018 Projects Bill. Applications will be evaluated based on Financial Policy #12. Funds will be available to successful applicants in July 2018.
- (4) Creation of a Loan Guarantee Fund - \$30 million** - This \$30 million request is for General Assembly authorization to create a Fund within the DNR/CWCB that will allow regional project participants support for financing options. The Fund will homogenize project participant's credit ratings and therefore lower their market lending rates. It is anticipated that this may help leverage \$300 to \$400 million in market funds while lowering the overall cost of a regional water supply project.

Staff Recommendation

Staff recommends the Board request the General Assembly to authorize the Colorado Water Plan Funding to include \$25 million for the Implementation of the Funding Plan and \$30 million for a Loan Guarantee Fund. The request will require \$55 million to be transferred from the Severance Tax Perpetual Base Fund to the other Funds described.

