



PLATTE RIVER RECOVERY IMPLEMENTATION PROGRAM

Finance Committee Conference Call Minutes

May 31, 2012

Meeting Attendees

Finance Committee (FC)

State of Wyoming

Mike Purcell – Member (Chair)

State of Colorado

Don Ament – Alternate

State of Nebraska

Jim Schneider – Member

Bureau of Reclamation (BOR)

Gary Campbell – Member

Brock Merrill

U.S. Fish and Wildlife Service (Service)

Mike George – Member

Environmental Entities

No participants

Colorado Water Users

Alan Berryman – Member

Downstream Water Users

Don Kraus – Member

Brian Barels

Welcome and Administrative

Finance Committee Chair Purcell called the meeting to order at 2:03 p.m. Central time. Purcell said when John Lawson was with the Program he was in line for the next FC Chair, so, as Lawson's replacement, Campbell would be next in line and be a good choice for the new Chair. Because he had to leave the call early, Purcell noted that Wyoming has no objection to the indexing issue proposed by Colorado so it seems to rest on the Department of the Interior (DOI).

*Purcell moved to elect Campbell as FC Chair; Ament seconded. **Campbell elected.*** Campbell said he would pass those duties on to Coleman Smith with BOR when he becomes involved in the Program at the end of 2012. Purcell said Harry LaBonde would be filling in for him on the FC and GC until the State of Wyoming appoints a new director. Purcell signed off.

*Kraus moved to approve the May 1, 2012 FC minutes; Berryman seconded. **Minutes approved.***

**Choke Point Contractor**

Kenny said at the last WAC meeting, the WAC provided guidance on the direction to head on further work on the choke point. To get to 3,000 cfs capacity, it will likely take expensive, hard engineering solutions (e.g. dredging, cost could be \$500,000 a year and would have to be done probably every other year). The alternative to the structural approach is an institutional approach. The National Weather Service has entertained the idea of raising flood stage to 6.5 feet assuming there is city and county support. The Program would have to take the lead on 2-3 flood-proofing projects. Raising flood stage would get us to 2,400 cfs and these solutions are quicker, less expensive, and easier in terms of permitting. Examples include improving culverts, re-establishing a segment of the state channel berm, etc. We will need an engineering firm to do design and permitting. Initial discussions with a couple of firms led to higher than anticipated estimates meaning we will need to advertise a RFP to do this work. The RFP should be ready for FC review and approval at the next meeting. Berryman asked about the 3,000 cfs in the longer term. Kenny said he has not given up hope and some options are being explored to eventually get there.

Indexing Projections

Merrill discussed the indexing example spreadsheet related to Colorado's motions on the J-2 project. The ceiling remains the same but there is about a \$300,000 difference in how it is split among the parties. Given our discussions on J-2, when that payment is made is going to have a significant effect regardless. Kraus asked about the established method and the proposed method. Under the established method on the first page of the spreadsheet, it isn't in the same format as the proposed method. Merrill said he had to break things out differently on the proposed method spreadsheet. Kraus said it appears projections show Colorado spending about \$10 million by September 30. Merrill said that is correct, but it is the timing of that payment that is most significant. Kraus asked if Colorado would be putting less under the established method. Merrill said that is correct. Kraus asked if all of Colorado's money is at the Foundation. Ament said Colorado still owes about \$2 million, but most of it is there. Kraus said then that means the funding would be committed early and Colorado would lose out on interest. Berryman said that is correct.

Berryman asked if Wyoming was not concerned because that state would be drawing interest. Kenny said that is correct, it is basically a wash for Wyoming. Kraus asked if another adjustment would be made in the future if Colorado was going to put more money in again. Merrill and Campbell said that means their funding would drop off. Kraus asked if there would have to be any further adjustments to the formulas. Merrill said he didn't think so but he would think about it.

Kraus asked if DOI is OK with this. Campbell said he is totally against this. This shifts a burden of about \$275,000 a year more to DOI. The DOI cannot earn interest on federal dollars by law. We are looking at a change mid-way through the Program when a method was agreed to in the past. Campbell said he cannot agree to take on additional burden for federal taxpayers on this issue. Schneider asked about the incorrect cell in the spreadsheet for the proposed method. Merrill said it is just a typo in a formula that did not carry over and he could fix that and re-send the full spreadsheet. Schneider said he is having trouble figuring out why this is an issue if the percentage of cost share remains the same. It is still represented as not shifting the burden.

Campbell said the spreadsheets can definitely be updated but his concerns remain. Kenny asked how things might change if the formula errors are fixed in the spreadsheet and will there really be a cost share change. Merrill said the numbers will be very close. Schneider said then it seems like there won't ultimately be a change in the percentage of cost share breakdown. Kenny said it seems like we would be



going through year-to-year machinations only to end up at the same point. Ament asked about discussions regarding cash flows issues related to J-2. Kenny said the discussion was Colorado and Wyoming money coming in big chunks for the J-2 project and thus the states would have expended most of their money early on and remaining funds would have to be DOI. Kenny said he had not addressed in his cash flow analysis this issue of indexing.

Kenny said what has been done here is essentially a one-year analysis and maybe carrying out the analysis for more years might be too arduous. We maybe don't need to go through that full exercise to determine if the burden does or does not shift. Maybe looking at the completed spreadsheet and re-grouping on this might be the best way to go. Kraus asked if Step D is where the index gets applied. Merrill said that is correct (amount of Program funding remaining to be expended). Kenny asked Ament if without this Colorado will not expend money in big blocks moving forward. Ament said that is a concern by the Legislature and the Governor's office and they are trying to work through this. Berryman calculated how much money we are really talking about. Kenny asked if the magnitude of the numbers in Merrill's spreadsheet is what Colorado was expecting. Ament said they seemed lower than what he was expecting but that he was not sure of what Kowalski was thinking about the implications. Campbell said his understanding was since DOI dollars were being spent this year he thought Colorado was concerned about that state paying more in the future because of indexing. Kenny said that is part of it, but also if a large chunk of Colorado funds comes out now for J-2 they will lose out on accruing interest on that big chunk over time.

Merrill said at 100% federal funding this year, we can't go back to the usual percentages at the beginning of 2013 because now the amount of money left is different. It might be worth exploring those implications because Colorado might be losing interest but they won't have as high of indexing implications because if they spend a chunk on J-2 now their percentage of all future disbursements will be smaller. Berryman said Kowalski's main concern is losing out on interest for the remainder of the Program. Kraus said it would be good to look at the difference between losing out on interest for Colorado versus the benefit they get from reduced indexing. Kenny said he would work with Merrill and Berryman to evaluate this. Schneider said this also doesn't seem to reflect that DOI is getting ahead now because they are paying all the bills in 2012. Merrill said that you could probably look at this way.

Kenny said the thought was to bring this before the GC in June, but that doesn't seem likely to happen yet given the complexity of the calculations and the need for further FC discussion. Kraus said we could raise the issue with the GC but not to get into too much detail until the FC has more time to look at other options. Ament agreed. Kenny said he would call Merrill shortly and coordinate how to work together to move this along. Merrill said he would have an updated spreadsheet by June 15 for distribution to the FC for further review.

Closing Business

The next FC meeting is Thursday, June 28, 2012 from 10:00 a.m. to Noon Central time.

FC meeting adjourned at 3:04 p.m. Central time.

Summary of Action Items/Decisions from May 31, 2012 FC meeting

- 1) Elected Gary Campbell, BOR, as FC Chair to replace Mike Purcell, State of Wyoming.
- 2) Approved the May 1, 2012 FC minutes.
- 3) Set the next meeting for June 28 to continue discussion on the indexing issue.

This document is a draft based on one person's notes of the meeting. The official meeting minutes may be different if corrections are made by the Finance Committee before approval.