

NORTHERN COLORADO WATER CONSERVANCY DISTRICT

RESOLUTION

D-1228-07-14

FORWARD GUIDANCE REGARDING NORTHERN WATER ASSESSMENTS

WHEREAS

1. The Northern Colorado Water Conservancy District (Northern Water) was created under the Water Conservancy Act (C. R. S. 37-45-101 et. Seq.), which gives the Board of Directors (Board) the power to levy and collect taxes and assessments as follows.
 - a. Levy and collection of taxes under Class A shall not exceed one mill on the assessed property value within Northern Water boundaries except in the event of accruing defaults or deficiencies.
 - b. Levy and collection of assessments under Class B, Class C and Class D allotment contracts shall be equitable although not necessarily equal or uniform; and, the Board shall examine rates, and by rule and regulation, adjust such rates periodically.
2. NORTHERN WATER signed a repayment contract in 1938 with the U. S. Bureau of Reclamation for the Colorado-Big Thompson (C-BT) Project which requires Northern Water to assess levies and assessments in an amount sufficient, together with the tax (Class A) levy, to meet Northern Water's obligations to the United States under the repayment contract.
3. NORTHERN WATER, in partnership with the U.S. Bureau of Reclamation, is responsible for the operation and maintenance of the C-BT Project and for providing the funding necessary to sustain the Project's water supply purposes. The C-BT Project provides an essential supplemental supply to over 30 municipal and industrial water users serving a population of more than 800,000, and 640,000 irrigable acres situated within the boundaries of Northern Water. On an annual average basis, the C-BT Project provides approximately 215,000 acre-feet of supplemental water supply to C-BT Project allottees or other designees with the return flows from the first use of C-BT Project water being diverted and beneficially used by downstream water users within Northern Water boundaries.
4. NORTHERN WATER has issued Class B, Class C, and Class D allotment contracts that currently total approximately 100,406 Acre-Foot Units and are annually assessed at a rate of \$1.50 per AFU for Unit 1, and \$2.00 per AFU for Unit 2 (fixed-rate contracts).

5. NORTHERN WATER has issued Class B, Class C, and Class D allotment contracts that currently total approximately 209,594 Acre-Foot Units which provide that the Board will set assessment rates annually (open-rate contracts).
6. NORTHERN WATER desires to be a fiscally sound organization with a financial position in which revenues support expenditures sufficiently to operate and maintain the C-BT Project, provide for an adequate level of operating, capital and replacement reserves, and provide the necessary resources to manage uncertainty and other risks that threaten the ability to deliver water through the C-BT Project.
7. NORTHERN WATER conducted a Cost of Service Rate Study beginning in September 2013, and submitted it for public review in April 2014. The study developed a 10-year financial plan and options for meeting projected revenue and reserve requirements through the planning period.
8. NORTHERN WATER conducted two allottee informational meetings on the Cost of Service Rate Study and the Fiscal Year 2015 Rate Hearing, during which comments were received from allottees and the general public.
9. NORTHERN WATER understands that allottees desire to avoid significant assessment fluctuations and require advance notice of significant changes in assessments in order to budget adequate funds to pay those assessments.
10. NORTHERN WATER has the authority under the Water Conservancy Act to set assessments annually at rates determined by the Board.
11. NORTHERN WATER is committed to continue providing high level C-BT Project reliability and service that has come to be expected of the organization over its 75 years, and has a duty and responsibility to operate the organization and facilities efficiently.

NOW, THEREFORE, BE IT RESOLVED

1. NORTHERN WATER plans to move to a split allocation cost-of-service based assessment practice in which open-rate irrigation assessments will be based on a base split allocation cost-of-service calculation, and open-rate municipal, industrial and multipurpose assessments will be set at a rate that recovers remaining net revenue requirements.

2. NORTHERN WATER plans to implement a stepped increase, with major steps conducted in fiscal years 2016 and 2017, in order to achieve a balanced budget by the beginning of Fiscal Year 2018.
3. NORTHERN WATER plans to establish unrestricted reserves of at least the total unrestricted reserve balance analyzed for the Moderate Reserve Recovery scenario in the Cost of Service Rate Study, and beginning in Fiscal Year 2019, intends to set open rate assessments at a level that achieve these targets no later than Fiscal Year 2023.
4. NORTHERN WATER will use the financial planning tools developed in the Cost of Service Rate Study, or another suitable financial planning tool(s), to set assessments annually at rates determined by the Board. Further, the Board will, using the best information available at the time and within its limited ability to foresee future financial requirements and obligations, make financial projections and provide estimates of open-rate assessments for the following two (2) fiscal years. The Board reserves its discretion to modify or suspend this forward guidance at any time.
5. NORTHERN WATER will continue implementing existing cost-control measures and seek new opportunities to control internal costs, and continue seeking opportunities to jointly fund operational expenses with partners and other external funding sources. Northern Water staff will present documentation to the Board annually that describes its cost-control measures.
6. NORTHERN WATER staff and legal counsel are directed to study (which shall include meetings with allottees) and report back to the Board, prior to the Fiscal Year 2016 Rate Hearing, options for addressing differences between fixed-rate allotment contracts and open-rate allotment contracts as reflected in comments received from allottees and the public during and following the allottee informational meetings and during the Fiscal Year 2015 Rate Hearing.
7. NORTHERN WATER will further study and discuss unrestricted reserves prior to implementing rate increases that are primarily intended to build unrestricted reserve balances (such increases are currently projected to occur beginning in Fiscal Year 2019), including potential refinement of the purpose, funding, and amounts to be held in reserve given the uncertainties and risks faced by Northern Water.

CERTIFICATE

I, Eric W. Wilkinson, do hereby certify that the above is a true and correct copy of a Resolution unanimously adopted by the Board of Directors of Northern Colorado Water Conservancy District at a regular meeting of said Board held in Berthoud, Colorado, on July 11, 2014.

Secretary