



MEMORANDUM

APRIL 5, 2017

TO: CRWCD BOARD OF DIRECTORS
ERIC KUHN, GENERAL MANAGER

FROM: AUDREY TURNER, ADMINISTRATIVE CHIEF

SUBJECT: STRATEGIC PLAN ADOPTION

Action Requested: The Board of Directors may wish to adopt the substance of the Strategic Plan as presented and direct staff to work on the packaging and presentation of the plan.

The Board participated in a facilitated Strategic Planning retreat in July 2016 with the goal of updating the 2013 Strategic Plan. Ultimately, the Board added a few strategic goals but found that many of the previously defined goals and initiatives remained relevant.

Staff has worked on updating the Strategic Plan over the last 8 months and has provided draft plans to the Board for review and input at the last two quarterly meetings. The final draft is attached to this memo.

Staff believes that the substance of the Strategic Plan is ready for Board adoption. However, staff would also like to work on the presentation of the plan making it more visually and graphically pleasing.



STRATEGIC PLAN

Adopted _____

BACKGROUND & SETTING

The Colorado River District covers approximately 29,000 square miles, more than one-quarter of the State of Colorado. The River District's boundaries include all of the Colorado River mainstem and the basins of three of its major tributaries: the Yampa River, the White River and the Gunnison River. Additionally, small reaches of the Green River and Dolores River flow through the River District. Approximately 65-70% of the natural flow of the Colorado River at Lee Ferry either originates in or flows through the River District's boundaries.

The topography of the River District varies from the high peaks along the Continental Divide to high mountain valleys, canyons, table mountains and plateaus to the mid-elevation deserts in far western Colorado. Precipitation varies from over 60" per year in the mountains above Steamboat Springs to less than 10" per year in Grand Junction.

The economy of the River District is as diverse as its topography. Its headwaters regions support world-class ski resorts with both winter and summer attractions. Rivers, reservoirs and natural lakes support fishing, rafting, kayaking and boating activities throughout the District. Mining and energy development are essential to many regions within the District. Coal, natural gas and molybdenum are currently the primary drivers. The commercial production of shale oil remains a potential, but the River District recognizes that development of this resource at a level that requires significant water resources is at least a decade away, perhaps more.

Agriculture has historically been, and remains, the District's largest user of Colorado River water. Approximately 500,000 acres of land are irrigated through several hundred individual ditch and reservoir companies, irrigation districts, water users associations and water conservancy districts. Approximately 90% of the agricultural consumptive water use within the District is attributable to hay, alfalfa and pasture grasses with the remaining 10% supporting row crops, vineyards and orchards.

As of 2015, Colorado River consumptive water use from within the River District is in the range of 1.3 to 1.7 million acre feet per year. Irrigation uses consume about 800,000 to a million acre feet, with in-basin industrial and municipal consumption in the range of 50,000 to 100,000 acre feet. Exports out of the District to Colorado's Front Range are in the range of 450,000 to 600,000 acre feet annually.

SOCIOECONOMIC TRENDS AND CONNECTIONS

The River District has seen a steady increase in population since the early 1970s. As of December 2014, the 15 counties that comprise the District had an estimated population of 462,000 or 8.6% of Colorado's statewide population of 5,353,000. The State demographer's office projects that the River District's counties will have a population of about 730,300 in 2040 which would be 9.2% of the state's projected population of 7,925,000. Thus, population growth within the District is expected to be slightly greater than Colorado as a whole. (Source: Colorado.gov)

Largely due to the energy and recreation components of the District's economy, the demographics of our population are slightly younger than the state as a whole.

Like Colorado, the economy of the River District has historically been prone to boom and bust cycles. The energy and minerals sector saw the oil shale boom of the late 1970s to early 1980s and the natural gas boom of 2005 to 2008. The River District expects that its energy sector will continue to grow periodically, but due to competition from shale gas throughout the country, at a more measured rate.

The River District's tax base (assessed valuation) was \$23 billion in 2010 but has fallen. By 2017, the assessed valuation had dropped to about \$16 billion, a reduction of more than 30 percent. The drop was due to a combination of lower natural gas and other mineral production, a drop in commodity prices including natural gas, and a reduction in home values from 2009-2012. Home values have begun increasing again, but with continued weakness in natural gas prices, the District expects only slow growth in its assessed valuation.

The District's agricultural production has also been cyclical, albeit less so than energy. Due to urbanization in the valleys near resort areas and in Mesa, Garfield, and Montrose Counties, the number of acres under irrigation has probably peaked. However, due to healthy worldwide demand for agricultural commodities, the River District believes its agricultural sector will remain viable for the foreseeable future and, if agricultural commodity prices continue to increase, there would be an increased demand for reliable and better quality agricultural water supplies.

The District projects that the recreation sector will continue to grow for the foreseeable future. This sector will command more attention to its water dependent needs. Continued growth on the Front Range will be a major contributor to the District's recreation-based economy.

In summary, the River District will continue to be an attractive location for in-migrants, both permanent and temporary (vacation and second homes). This will likely continue to provide a diversified tax base but will also challenge the District to remain relevant and visible to its constituency.

HISTORY AND EVOLUTION OF THE COLORADO RIVER DISTRICT

The River District was born out of the need for the development of thoughtful and integrated water policies and the reality that western Colorado's water resources would be coveted by both Colorado's Front Range and water users in downstream states. Throughout its almost 80 year history of working on what seemed intractable issues, the River District has achieved many major accomplishments, negotiated many complicated multi-party water agreements, successfully litigated important water rights matters and working with others within the state of Colorado and the Colorado River Basin, sought federal and state laws and policies for the development and conservation of the water resources of the Colorado River.

In 1937 the River District's predecessor, the West Slope Protective Association, handed off to the newly formed district an East Slope West Slope agreement providing the West Slope's support for the construction of the Colorado-Big Thompson project. Senate Document 80 was a forward thinking settlement that called for compensating storage on the West Slope - the Green Mountain Reservoir 100,000 acre feet pool as well as protections for stream flows, water quality and aesthetics. Senate Document 80 would become a template for future agreements.

- In the 1940s and 1950s, the River District participated in the development and negotiations of the 1944 International Water Treaty with Mexico, the 1948 Upper Colorado River Basin Compact, and the 1956 Colorado River Storage and Participating Projects Act (CRSPA). CRSPA authorized the construction of the major storage reservoirs that are needed to regulate the river in a manner allowing the states of the Upper Basin to meet their downstream compact and treaty obligations and provided a mechanism to facilitate the development of local irrigation and multipurpose water projects.
- In the 1950s and 1960s, in furtherance of the goals of CRSPA, the River District actively adjudicated the water rights and created local conservancy districts that would be used to manage and repay the Federal government for the participated irrigation projects authorized under CRSPA.
- In the 1950s, 1960s and 1970s, the River District addressed major transmountain diversion policy matters and disputes. In the 1950s, Denver sought water rights for its Dillon Reservoir/Roberts Tunnel collection system that would be senior to Green Mountain Reservoir. The River District, its West Slope allies and Northern Water opposed Denver. In what is commonly referred to as the "Blue River Decree," the West Slope would prevail

and obtain a senior storage right for Green Mountain Reservoir. Differences of interpretation over provisions of the decree would result in major litigation in the 1960s, 1970s and again in the late 1980s.

- In the late 1950s, the River District agreed to Federal legislation authorizing the Frying Pan-Arkansas transmountain diversion project, which included Ruedi Reservoir as compensation for the West Slope.
- In the late 1960s six northern Front Range cities would organize to develop the Windy Gap Project, a non-federal extension of the Colorado-Big Thompson project. Ultimately, the project was constructed by the Municipals Subdistrict of the Northern Colorado Water Conservancy District. The project included compensation for the West Slope, including a \$10 million contribution toward the construction of Wolford Mountain Reservoir Project. It required a West Slope victory in the Colorado Supreme Court to bring the Municipal Subdistrict to the negotiating table.
- In the 1960s and 1970s, the River District actively participated in Colorado River Basin Federal issues. It was a time of significant change and the beginning of the end of significant congressional funding for new Reclamation projects. With the passage of major federal environmental laws in the 1960s and 1970s, the federal role in water changed from a partner with states to that of a regulator.
- The Colorado River Basin Salinity Control Act, the Wilderness Act and Endangered Species Act kept the River District busy the 1970s and the early 1980s. The River District supported and staffed salinity control efforts. It remains a priority. The Wilderness Act provided both opportunities and challenges. The District supported Wilderness designations in the headwaters, where it complicated future transmountain diversion, but also fought to protect local water rights. The River District was one of the first water organizations to understand impacts of the ESA. After litigation strategies generally failed, the River District actively participated in the development and implementation of the Upper Colorado River Basin Endangered Fishes Recovery Program. It remains a priority activity.
- In the 1980s the State of Colorado began a focused effort to address future water supply issues for the Colorado's Front Range. The Governor's Metropolitan Water Roundtable was the first effort. River District Board and staff actually participated in this effort, an effort that continues today through the Roundtable/IBCC process. One of the byproducts of this process was a 1986 MOU among the River District, Denver Water and Northern Water that settled a number of claims for additional water rights and set the stage for the construction of Wolford Mountain Reservoir.
- In the 1980s and 1990s, the River District transitioned from primarily a lobbyist for water projects to an active builder and operator of projects. This strategy would require an increase in the staff size and capability. Ultimately the River District would construct or

assist in the construction of six reservoir or supply projects: Taylor Draw, Wolford, Eagle Park, Elkhead and Old Dillon Reservoirs and the Kobe Pipeline.

- After the mid 1990s, the River District's role as a facilitator of multi-party agreements accelerated: The Orchard Mesa check case settlement, the Eagle River MOU with Colorado Springs and Aurora, the quantification of the Black Canyon federal reserved right, the Dominguez Wilderness and McInnis Canyon's water rights settlements, the Colorado River mainstem, Yampa River basin and Gunnison River basin programmatic biological opinions, and most recently, the Colorado River Wild and Scenic alternatives plan, the Colorado River Cooperative Agreement with Denver Water, and the Windy Gap Firming Project agreement with Northern Water and its Municipal Subdistrict.
- Beginning in early 2000s after several decades of generally wet conditions, the Colorado River Basin was hit by the major drought of 2000-2004. Although since 2005 conditions have been about average, the system reservoirs have not recovered. The River District began focusing on drought readiness and drought management at the regional, statewide and basinwide levels. The District began the Water Bank Work Group and an active role in the development of drought contingency plans.

One notable feature is that in all of the abovementioned accomplishments, the River District acted in concert with other interests, across the West Slope, statewide and even in conjunction with all 7-basin states and the federal government. The River District was the catalyst to bring broad (and sometimes divergent) interests together. Arguably, most of the above would not have been accomplished without the River District's vision, leadership and unique position and role. This suggests a paradigm and model for the District's future actions.

MISSION STATEMENT

To lead in the protection, conservation, use, and development of the water resources of the Colorado River basin for the welfare of the District, and to safeguard for Colorado all waters of the Colorado River to which the state is entitled.

MAJOR INITIATIVES AND STRATEGIC RESPONSES TO OUTSIDE FORCES

We will carry out the following major initiatives (and related strategic responses to outside forces) as the primary components of the River District's strategic plan to fulfill its mission. We have listed below the significant forces that we believe will affect the River District in the mid-term to long-term (five to ten years). Following each, in italics, are the strategic initiatives planned for the River District in fulfillment of its mission.

Outreach and Advocacy: As the entity in the State of Colorado, statutorily charged to protect, develop, manage, and safeguard the water resources of the Colorado River Basin for the welfare of the District and for all citizens of Colorado, the River District has a basic responsibility to inform our constituents of statewide and basin-wide issues affecting water users of the Colorado River. In order to achieve the various strategic initiatives outlined in this Plan, the River District recognizes that public support will be required.

The District maintains a robust public education and outreach effort through an evolving variety of media and public meetings it either organizes or co-sponsors. Through pro-active involvement and dedication of resources, the District seeks to shape and influence public policy and legislation affecting Colorado River water resources, District water users, and operations of the District.

Strategic Initiatives

- *The River District will continue to enhance and expand partnerships and working relationships with key elected and appointed officials to advance western Colorado's perspectives on proposed legislation and regulations affecting western Colorado water resources at both the state and federal levels.*
- *The River District will assume a leadership role in offering timely and accurate public information regarding topical trends and developments concerning water resources, water use, and water conservation.*
- *The River District will make special efforts to inform and involve community leaders, especially elected leaders, in water-related matters.*
- *The River District will expand its efforts to actively engage the public through our website and other social media, including new and emerging media platforms, with a goal of reaching and engaging younger generations of water users.*

- *The River District will ensure its outreach and communications extend to all 15 counties of the District.*
- *The River District will expand its branding efforts to ensure grassroots support and understanding of the River District and its mission.*

Outreach in All Basins: While we have not ignored or been unhelpful to needs in other basins, a significant amount of the River District’s time, energy and resources in the recent past have been focused on the mainstem of the Colorado River and helping to address the long-term needs of the mainstem. A priority in the near-term will be to put significant focus on the needs of the other basins within the River District.

Strategic Initiatives

- *The River District will increase its outreach efforts with water organizations and other local organizations in the Gunnison, White and Yampa River basins. The goal will be to use River District resources to help those basins address their consumptive and non-consumptive water needs.*
- *The River District will look for and focus on opportunities where the River District can act as a catalyst to create partnerships that work for these other basins. A recent example of this is the cooperatively funded Lower Gunnison Project, orchestrated by the River District.*

Climate and Hydrologic Uncertainty: Climate and hydrologic uncertainty should be a major driver of what the River District does in the mid- to long-term. The impacts to precipitation are not clear. However, the overwhelming evidence indicates a warming and increasingly variable climate. Hotter temperatures will certainly result in increased demands for agricultural and municipal water supplies due to longer and warmer growing seasons. Patterns of snowpack accumulation and runoff will change. Runoff is projected to occur earlier and quicker, and there will be an earlier return to possibly lower base flows after runoff. These factors will stress storage supplies. On a local and regional basis, storage supplies may prove inadequate.

Strategic Initiatives

- *The River District will continue to evaluate and pursue options to increase local water storage supplies and optimize and expand, where appropriate, existing water storage.*
- *The River District will engage in support efforts aimed at understanding climate change and how it may affect water supplies.*

- *The River District will engage in and support water supply planning efforts, local and regional, which include adapting to climate change impacts.*
- *The River District will work with water users to ensure maximum practicable and cost-effective water use efficiencies in all sectors.*¹

Colorado River Supplies: Colorado may be closer to full use of its Colorado River supplies than commonly thought. Absent good planning, education, outreach, and mitigation measures to address regional water supply issues, Colorado risks overdevelopment of its Colorado River supplies to the detriment of existing water users. At some level of additional development, all existing uses junior to the compact (more than 500,000 acre feet) are at risk of curtailment under compact administration. The River District's will work on Colorado River Basin contingency planning and compact risk management, both related to low reservoir levels at Lake Powell that threaten power generation and the ability to meet Colorado River Compact obligations, be reflected in the Colorado Water Planning efforts.

Strategic Initiatives

- *The River District will advocate for full use of its Colorado River Basin water supplies for the benefit of the District's inhabitants, without undue risk of overdevelopment.*
- *The River District will advocate for full protection and preservation of water rights perfected by use prior to the effective date of the 1922 Compact and thereby excluded from curtailment in the event of compact administration.*
- *The River District will continue to study mechanisms, such as a Compact Water Bank and Contingency Planning that include demand management, drought operations of CRSP reservoirs, and water supply augmentation to address the risk of overdevelopment.*
- *The River District will work with the State Engineer's Office and other interested parties to develop an equitable mechanism for potential compact administration.*

Transmountain Diversions (TMD): The River District was created to protect West Slope interests in the face of transmountain diversions. That role continues today and will likely persist with increased pressure for further Front Range use of Colorado River supplies. The IBCC Conceptual Framework presented in Colorado's Water Plan sets forth seven principles to guide

¹ Increased water efficiency means reduced diversions to achieve a particular use. In the case of agricultural use, increased efficiency and reduced diversions can cause reduced return flows and undesirable decreases to base flows to the detriment of downstream diverters who rely on those return flows and to the detriment of the instream environment.

development of any potential new transmountain diversion. The River District will have a leadership role in evaluating any new TMD proposal in the context of the IBCC Conceptual Framework and the District's current policy on transmountain diversions.

The River District recognizes that certain existing water right control points on West Slope streams are critical to maintaining West Slope supplies and limiting transmountain diversions and will pursue protection of those water rights. A key provision to the Colorado River Cooperative Agreement pertains to the Shoshone Outage Protocol, which maintains river flows in the event of unscheduled outages of the power plant. The CRCA also provides for an investigation of an acquisition of the power plant and water rights in order to permanently protect the Shoshone Call and the resulting essential river flow.

Strategic Initiatives

- *The River District will diligently pursue investigation of such an acquisition or alternative means to permanently protect the flows generated from the historical Shoshone water right call.*
- *The River District will work to ensure that the IBCC Conceptual Framework is honored and fairly implemented.*
- *The River District will act in accordance with its formally-adopted Policy Statement on Transmountain Diversions.*

Agricultural Water Use: Most West Slope agricultural water use is senior to the Colorado River Compact. As Colorado nears full development of its Colorado River system water there will be pressure for temporary and permanent conversion of senior agricultural water rights to other uses. The Colorado River Compact Water Bank may provide a mechanism to protect agricultural water uses.

Strategic Initiatives

- *The River District will continue to study the concept of a compact water bank in collaboration with other stakeholders to best preserve western Colorado agriculture.*
- *The River District will explore alternative transfer methods that allow agricultural water users to benefit from the value of their water rights without the permanent transfer of the rights, and without adverse impacts to the local communities and the regional economy.*
- *Although the River District recognizes that some reductions in demands of agricultural water rights may be necessary to protect existing water uses in the basin, the District will*

work to ensure that the burden of demand reduction is shared across all types of water use sectors, and that agricultural water rights, and agriculture itself, are not injured.

- *The River District will protect the integrity of senior agricultural water rights within Colorado's prior appropriation system, recognizing the potential risks to those rights posed by the constitution's municipal right of condemnation.*
- *The River District will advocate for sensible water quality regulations and cooperative actions that do not unduly burden the agricultural community.*

Water Needs/Project Development: Through Colorado's Water Plan and the Basin Implementation Plans, water needs within the River District have been, and will continue to be, refined and prioritized. The River District owns a large portfolio of conditional water rights that may be suitable for meeting a portion of the identified water demands. However, developments in judicial case law have made it more difficult for all water users, including the River District, to maintain conditional water rights.

Strategic Initiatives

- *The River District will work proactively with District constituents and basin roundtables to better quantify and refine both the consumptive and non-consumptive water needs, in amount, location and timing, throughout the District, including projected needs that may result from climate change.*
- *The River District will focus on identified water needs and how the use of the District's current and future conditional water rights can effectively help meet these needs.*
- *The River District will look for opportunities where its efforts are needed as a catalyst to help in-District interests plan for and meet their water needs in a manner that is consistent with the District's compact contingency planning goals and objectives.*
- *The River District will actively pursue funding sources and provide financial assistance to be used for the refurbishment and modernization of the aging water supply infrastructure within the District in order to help preserve and improve existing supplies and operations.*

Colorado's Water Plan: On May 15, 2013, Governor Hickenlooper issued an Executive Order mandating the development of a statewide, comprehensive Water Plan. The plan was delivered to the Governor in December 2015. The plan outlines broad concepts for meeting the State's water needs through the year 2050 in the face of unpredictable climate change and a doubling population by balancing agricultural preservation, possible new transmountain diversion development, municipal water conservation, and environmental enhancement while protecting Colorado's legal

and institutional system of interstate compacts and equitable apportionment decrees, and local control.

There is uncertainty about how the plan will evolve over time and how the concepts embodied in the plan will be implemented.

Strategic Initiatives

- *The River District will work with each of the three Basin Roundtables that comprise the District to facilitate the refinement, development, and implementation of their Basin Implementation Plans.*
- *The River District will work with the, Southwest Water Conservation District, the Southwest Basin Roundtable and the three Basin Roundtables that comprise the District to achieve a consistent West Slope perspective related to contingency planning and compact administration risk matters.*
- *The River District will work with east slope roundtables to enhance east slope understanding of West Slope perspectives while also enhancing West Slope understanding of east slope perspectives.*
- *The River District will work with existing transmountain diverters to set a priority on contingency planning and compact administration risk management in order to provide a high level of protection for all of Colorado's existing Colorado River water uses.*
- *The River District will work to ensure that the IBCC Conceptual Framework is honored and fairly implemented.*

Water Efficiency and Conservation: We are transitioning from an era emphasizing new supply development to an era which includes higher emphasis on wise use of our limited water resources, including higher water use efficiency and conservation of consumptive use. This is driven by both environmental imperatives, changing values, and increasing shortages of water resources available for development. The River District historically has supported efforts to increase water use efficiency and conservation. Examples of this are the number of grants the District has awarded for efficiency and conservation and the District's financial and staff support of the Orchard Mesa Irrigation District Efficiency Project and the Lower Gunnison Project.

Strategic Initiatives

- *The River District will continue to promote, encourage and support wise and efficient use of all of Colorado's water resources*

Water Quality: The water quality regulatory framework will likely be an increasing challenge to River District Enterprise assets as well as the interests of the District's constituents. Historically, agriculture has largely escaped water quality regulation, due to nationwide exemptions under the Clean Water Act, but this may change. For example, at some point, there likely will be recognition that necessary contaminant (e.g., nutrient, selenium, salinity) reductions cannot be feasibly and economically attained solely through traditional treatment of point source municipal and industrial wastewater.

Strategic Initiatives

- *The River District will proactively convene and facilitate, as needed, local stakeholder groups to address local and regional water quality concerns to protect against regulatory actions.*
- *The River District will act in accordance with its formally-adopted Policy Statement on Water Quality.*

River District Staff Resources: For the River District to successfully fulfill its mission and meet strategic initiatives of the organization, it is imperative to attract and retain a highly qualified staff. The River District values each employee and their contributions and recognizes that the success of the organization depends heavily on the success of its employees.

Strategic Initiatives

- *The River District will seek to be an attractive and competitive employer in the region, state, and water community. This includes maintaining, to the best of its ability, a highly competitive compensation package and supporting the work-life balance that is valued by the District and its employees.*
- *The River District will have an excellent workforce that is talented and adaptable. The District will focus on effective hiring for new employees, professional development for existing employees and management to ensure that the proper expertise and leadership attributes are maintained and developed in all staff positions.*
- *The District likely will face significant staff transition in the next 10 years. In order to maintain the level of expertise desired, short periods of budgetary increases will be supported in order to accommodate these transitions.*

- *The District will strive for efficient and effective communication that facilitates collaboration and teamwork. The District will continue to involve, empower, and support all staff in the fulfillment of the District's mission.*

Financial Sustainability: The above strategic initiatives cannot be achieved without financial sustainability. The River District enjoys a diversified tax base for its Governmental Funds, which helps to reduce the impacts of dramatic downturns in its overall assessed valuation. Over the long-term, the Enterprise Fund is intended to be self-sustaining, managing the River District's Business-Type Activities.

Strategic Initiatives

- *The River District will evaluate all projects and investments for the potential impact on cash flows.*

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