



COLORADO RIVER DISTRICT

PROTECTING WESTERN COLORADO WATER SINCE 1937

**BOARD NEWS SUMMARY
JANUARY 2020**

RIVER DISTRICT BOARD OF DIRECTOR'S CONSIDER ASKING FOR PROPERTY TAX INCREASE TO FUND PROTECTION OF WEST SLOPE WATER

While Western Colorado faces an uncertain water future, the Colorado River District faces an uncertain financial future. The District's revenues are forecast to decline due to several factors, which threatens its ability to support projects safeguarding West Slope water. The District's Board of Directors are considering asking voters to raise the District's mill levy to 0.5 mills, which would largely be used to support water projects on the West Slope. The Board took no formal action at its January meeting, but asked staff to bring forward more information about the possible ballot question at its April meeting.

The Colorado River District's mission of protecting West Slope water is a broad one. It's boosting river flows in hot, dry years. It's assisting farmers in modernizing their water infrastructure. It's continuing to fight transmountain diversions to the Front Range to keep water here for kitchen taps, irrigation spigots and flowing rivers. The District is a workhorse for Western Colorado's water.

Residents of the District make this possible. The Colorado River District is funded by property taxes across its 15 counties.

Currently, that rate is set at 0.235 mills. That means that the average homeowner in the District pays \$7.65 in property taxes to the River District each year. In many parts of the District, the amount is less than \$4 a year.

General Manager Andy Mueller explained to the District's Board of Directors at its January 2020 quarterly meeting that financial challenges at the District make it harder for the District to fulfill its mission of protecting, conserving and developing water resources on the Western Slope. There is a backlog of important water projects benefiting agriculture, healthy rivers and urban communities on the West Slope due to a lack of funding.

Pressure from growing population, both on the Front Range and on the West Slope, combined with an increasingly hot and variable climate, increases the importance of implementing many of these projects.

The District's financial situation stems from three critical challenges.

DECLINING TAX REVENUE FROM THE ENERGY INDUSTRY

Coal, oil and natural gas have historically generated almost 25% of the District's tax revenue. That percentage has decreased to 11% in about six years as West Slope oil, gas and coal production have decreased.

Most of the District's tax revenue from oil and gas comes from operations in the Piceance Basin, which has seen a steady decline in production in recent years. This, coupled with declining production and the eventual closure of several area coal mines and coal-fired power plants, indicates that the District will continue to see sharp revenue declines.

REVENUE RATCHETING DOWN DUE TO TABOR

Colorado's Taxpayer's Bill of Rights (TABOR) was passed by voters in 1992.

TABOR limits the amount of revenue the Colorado River District and other local governments can collect and spend. No matter how much revenue the District brings in, it is only allowed to keep and spend an amount equivalent to the previous year's inflation plus the area's population growth.

This means that since TABOR was enacted, the River District's mill levy has fallen, and without voter approval, it can't be increased. In the early 2000s, the District's mill levy dropped from 0.394 mills to 0.252 mills to comply with TABOR's revenue cap. The lower mill levy became permanent as TABOR also requires voter approval to increase a tax rate.



SMALLER RESIDENTIAL PROPERTY ASSESSMENTS MEAN SLIMMER BUDGETS

Another voter-approved constitutional provision, the Gallagher Amendment, has contributed to smaller residential tax assessment ratios which negatively impacts many rural special districts, including the Colorado River District.

Approved in 1982, the Gallagher Amendment sought to balance the property taxes paid by residential and non-residential property owners at a specific statewide ratio. Gallagher establishes that all residential property owners in the state pay 45% of collected property tax rates while non-residential property owners, including commercial and industrial properties, pay the remaining 55% of the total tax burden.

However, with more people moving to Colorado, particularly Front Range metro areas, the growth in the number and value of residential properties has outpaced growth in the value of non-residential properties. That means the 45% residential property owners pay has been divided into smaller and smaller slices, lowering the Residential Assessment Ratio. Rural districts such as the Colorado River District have not seen the same increases in residential property numbers or values and are disproportionately impacted by the declining Residential Assessment Ratio.

When Gallagher was enacted, the Residential Assessment Ratio was 21%. Today, it is 7.15%. This rate is expected to continue to fall, meaning less revenue for the Colorado River District.

A MURKY FUTURE

Despite inflation, sky-high health insurance rates and significant wage pressure, the Colorado River District has kept its growth in expenses low. Recently,

the District has been working to cut costs by reducing the number of staff through an early retirement program, slimming travel expenses and cutting back outside legal fees. The District also put its grant program on hold. Unfortunately, the District will face declining revenue while inflation and healthcare costs for its employees is forecast to keep rising. This will jeopardize the District's ability to advocate for West Slope water users at a time when Colorado's water future is also uncertain.

With these challenges in mind, General Manager Mueller asked the Board of Directors to consider asking voters for authority to increase taxes to 0.5 mills, which means the District would be allowed to collect up to 0.5 mills, though it could levy a lower rate. For the average taxpayer in the District, this would equate to an \$8.63 increase in property taxes annually.

"We were formed to protect, conserve and develop the water resources of the Western Slope. When we were formed, our predecessors went to the General Assembly and said, 'Give the district tax authority at 2.5 mills.' Today, our taxing authority sits below one-tenth of that original authorization," Mueller said. "Even though it was less in total dollars back in 1937, it was the same percentage burden on our constituents."

Directors took no formal actions but expressed interest in continuing to explore the option.

"I think we need to make a concerted effort to move forward on this," said Director Doug Monger, who represents Routt County. "I don't think it's going to be easy. It's not going to be anywhere near a slam dunk; I understand."

Increased tax revenue would be used in large part to fund water projects on the

West Slope. Mueller said the District has a lot of expertise, but the inability to fund projects vital to the West Slope leaves the District – and the West Slope – with an unequal seat at the table.

"It's not just that we are facing constraints on what we can do now," said Director Tom Alvey, who represents Delta County. "We have to have the ability to react in the increasingly difficult environment for Western agricultural water use. We must protect that. The way to do that is to have ammunition available, and we're running out. I think it's important that we try to do something to increase our revenue."

Several directors, including Alvey, noted that the Colorado River District contains several tax-averse counties, and some of those counties might also face an uncertain future amid changes in the Western Slope's energy industry. The Directors sought more information about voters in the District to inform later discussion on the topic.

During the meeting, Mueller sought direction from the Directors as to whether there would be public support for a measure, if such a measure should have a sunset provision and discussing general ballot language. Directors gave direction to staff that should they pursue a ballot question, it should list the programs that tax revenues would fund. They also wanted to see language that would mitigate the impacts of TABOR and the Gallagher Amendment in the future.

The Board will likely take up conversation on the District's financial situation at its second quarterly board meeting on April 22 and 23.

"I would require some time before saying yay or nay – a considerable amount of time – to talk to a lot of people to frame the topic," said Director Steve Acquafresca, who represents Mesa County.

WALTON FOUNDATION DISCUSSES WORK ON THE COLORADO RIVER

Challenges to the Colorado River system, whether they be threats to agriculture, the environment or recreation, have gained the attention in recent years from non-governmental organizations (NGOs) that include non-profits and philanthropic foundations.

In the Colorado River Basin, the Walton Family Foundation is making its mark, fueled by the success of Wal-Mart stores. The foundation was established by Sam and Helen Walton.

Ted Kowalski, the foundation's Colorado River Initiative lead and senior program officer of four years, described the foundation's work in the Colorado River Basin in a discussion with the Colorado River District Board of Directors at its January 2020 quarterly meeting. He said the work spans from the headwaters to the Lower Basin and Mexico.

"We believe conservation solutions that make economic sense stand the test of time," Kowalski said. "We work to achieve lasting change by creating new and unexpected partnerships among conservation, agricultural, business and community interests."

Kowalski said the foundation's environmental work includes programs in the Mississippi River drainage and internationally to address oceanic challenges.

In the Colorado, Kowalski said the foundation is bringing voice to the environmental and recreational sectors. "But we do not want to do that on the backs of farmers, we need to work together," he added.

He heard from Director Tom Gray that perhaps foundation money was giving too much of a voice to environmental and recreational interests, and the perception in the agricultural community was that it's "not quite valid all sectors are working together." Kowalski said the foundation "struggles" with that perception and that it does support ag organizations such as the Colorado Ag Water Alliance, the Colorado Cattlemen's Association and the Family Ag Alliance.

He said that in supporting NGOs, the foundation supports entities that live in the communities where this work is occurring, meaning "it's hard not to be in tune with that community." He welcomed ideas to address this perception.



That Walton Family Foundation's Colorado River Initiative Lead and Senior Program Officer Ted Kowalski speaks to Board of Directors

Here are the foundation's initiatives:

UPPER COLORADO RIVER BASIN

- Support flexible water management that:
 - Allows farmers and ranchers to voluntarily realize additional value from their water rights, but without buy and dry; and,
 - Support diverse economic development strategies for rural communities.
- Encourage funding to support Colorado's Water Plan.

LOWER COLORADO RIVER BASIN

- Eliminate the structural deficit in the Lower Basin.

BASIN-WIDE

- Increase funds to encourage agricultural and urban water conservation and promote on-the-ground river restoration.

Kowalski said the foundation "supports flexible water management that allows farmers and ranchers to voluntarily realize additional value from their water rights without buy and dry and supports diverse economic development strategies for rural communities."

Some in the agricultural community are concerned that encouraging agricultural

water conservation is a pathway to buying-and-drying of irrigated lands and an end to agriculture - even though the intent is to keep that from happening.

Kowalski addressed that.

He said temporary leasing "should not be a backdoor way to buy and dry, I don't think that is something we would support." He suggested "sideboards" will need to be developed at the community level to understand how much land might be involved and for how long.

"Leasing may not be ideal or preferred," Kowalski said. We have to continue to explore the drawbacks.

Kowalski said the foundation believes "climate change is real" and that reality must be recognized against a river that does not produce the amount of water thought available going back to 1922, the signing of the Colorado River Compact.

"If we just ignore the enormous problem facing this basin, shame on us," he said.



BOARD, OFFICERS REMAIN IN PLACE FOR 2020; STAFF CHANGES NOTED

The Colorado River District's Board of Directors will move forward without changes in 2020.

Five board members whose terms were expiring were all reappointed by their respective Boards of County Commissioners. They include John Ely of Pitkin County, Steve Acquafresca of Mesa County, Tom Gray of Moffat County, Rebie Hazard of Saguache County and Doug Monger of Routt County.

The District serves 15 Western Colorado counties, and each Board of County Commissioners appoints one representative to the Colorado River District's Board for a three-year term. All policies, resolutions, budget actions and other major activities of the River District are approved by the board.

The 2020 Board unanimously voted to retain its officers from the past year, with Dave Merritt of Garfield County serving his second year as president and Marti Whitmore of Ouray County serving her second year as vice president.

By Board tradition, officers serve two one-year terms and are then term-limited.

The Board annually appoints the two key staff members that it directly hires, the general manager and general counsel. Andy Mueller was reappointed as general manager/secretary and



Colorado River District Chief Engineer John Currier, left, congratulates Ray Tenney on 30 years of service at the District as Dave Kanzer looks on. Kanzer was also recognized for 25 years of service to the District.

Peter Fleming was reappointed as general counsel. In turn, these two positions are responsible for hiring and managing the operational staff and legal staff, respectively.

In noting staff transitions, Mueller announced that Audrey Turner was promoted as the District's chief of operations. Previously, she was the administrative chief and will serve as assistant secretary. Alesha Frederick was also promoted from an administrative role to director of information and outreach. Two new faces have joined the River District

team: Gracie Wright as the new contract administrator/information specialist and Eleanor Hasenbeck as the District's water policy and communications fellow.

The District also celebrated two service anniversaries. Deputy Chief Engineer Ray Tenney was recognized for 30 years of service to the District, and Deputy Chief Engineer Dave Kanzer was recognized for 25 years.



SNOWPACK ABOVE AVERAGE, WATER SUPPLY FORECAST BELOW AVERAGE

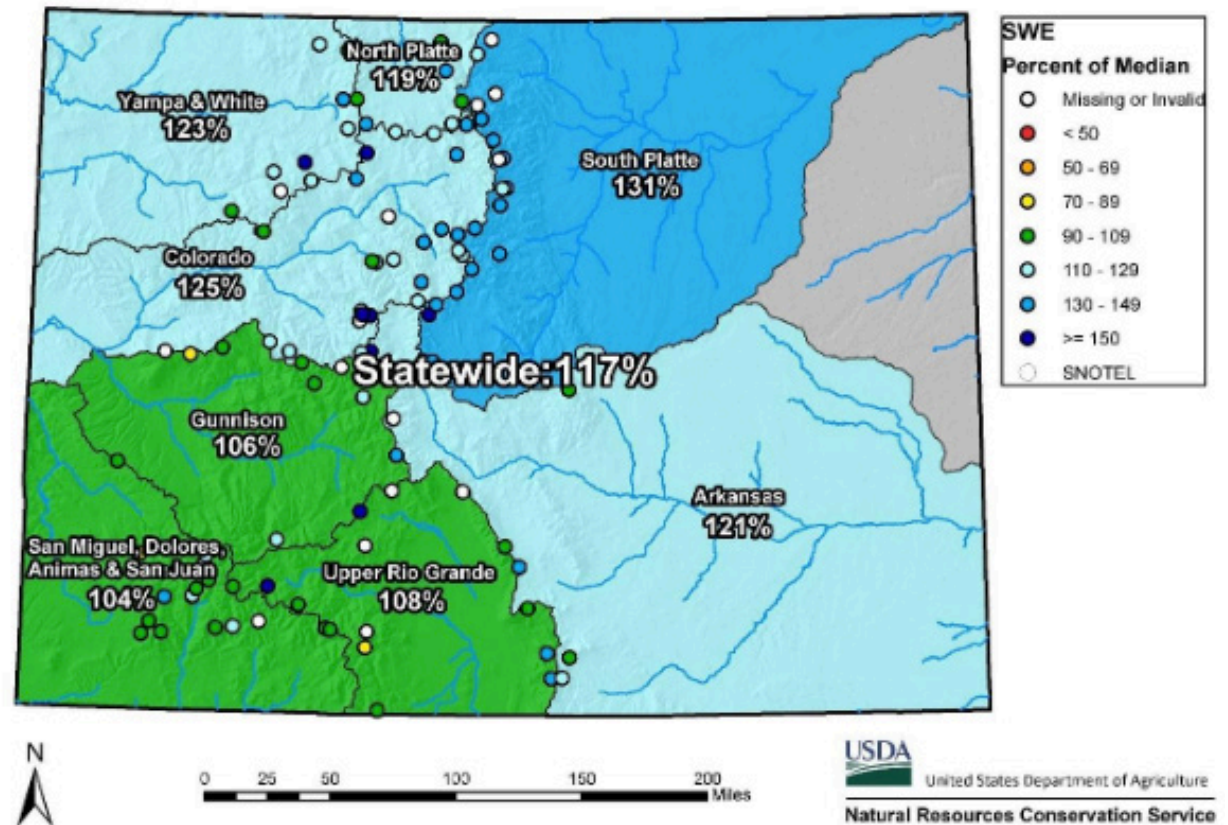
Snowpack is the main source of water supply in the arid West, and for this season's start, measurements are coming in above average across the region. However, dry soils resulting from a hot, dry summer are creating below average water supply forecasts.

The key statistic derived from snowpack is the "snow water equivalent" (SWE). Looking more closely at Colorado, the Yampa-White basin is showing SWE at 114% of average, the best in Western Colorado. The Colorado River mainstem basin is at 125%, while the Gunnison and San Juan basins are at 106% and 104%, respectively. These numbers come from the Natural Resources Conservation Service (NRCS). Snow watchers can stay up to date on snow at the NRCS website: <https://www.nrcs.usda.gov/wps/portal/nrcs/main/co/snow/>. Even more information about snow and water supply can be found at the Colorado Basin River Forecast Center (CBRFC) website: <https://www.cbrfc.noaa.gov/>.

The Colorado River District covers 15 counties in western Colorado, not including the south slope of the San Juan mountains. Snowpack in the District supplies about 70% of the snowmelt that makes it to Lake Powell. Dry soils are holding back water supply forecasts across the southwest,

Colorado SNOTEL Snow Water Equivalent (SWE) Update Map with Site Data

Current as of Feb 10, 2020



depressing the numbers that hover around 90% of average. The summer of 2019 was the ninth driest and the third hottest on record going back to 1895, according to the forecast center. The monsoon season was mostly a "non-soon."

While snowpack is the biggest driver of water supply, spring precipitation followed by mid-summer monsoons

are the two other important contributors. Snowpack accumulates through early April, which is generally considered the peak. January numbers are informative, but with the snowy months of February, March and early April ahead, conditions can change in big swings up or down.



KNOW YOUR SNOW: UNDERSTANDING THE IMPORTANCE OF COLORADO'S SNOWPACK TO WATER AVAILABILITY IN THE AMERICAN SOUTHWEST

The Colorado River District will host a free educational webinar at noon, Wednesday, February 19, with presentations from Colorado River District Deputy Chief Engineer Dave Kanzer and Dr. Jeffrey Deems, a research scientist at the National Snow and Ice Data Center.

“Know Your Snow” will highlight the latest research in snow science, which defines our water supplies on Colorado's Western Slope. Webinar participants will have a better understanding of our snow hydrology and its impact upon our water supplies in the face of our warming climate. They'll also hear updates on current snowpack and snow monitoring on the West Slope.

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LEGISLATIVE UPDATE

The Colorado River District is active at both the Colorado and United States Capitols, serving as a watchdog for Western Colorado by supporting legislation that is in our best interest and working to block or modify legislation harmful to the West Slope. At its January quarterly board meeting, the District's Board of Directors took positions on the following bills currently under consideration at the state legislature:

- HB20-1037 Augmentation of Instream Flows: Support
- HB20-1069 Add Water Well Inspectors Identify High-risk Wells: Neutral
- HB20-1072 Study Emerging Technologies for Water Management: Support
- HB20-1095 Local Governments Water Elements In Master Plans: Support
- HB20-1097 Connected Municipal Use No Change If Already Quantified: Monitor
- HB20-1157 Loaned Water For Instream Flows To Improve Environment: Support
- HB20-1159 State Engineer Confirm Existing Use Instream Flow: Strong support
- SB20-008 Enhance Penalties Water Quality Criminal Violations: Monitor
- SB20-024 Require Public Input On Water Demand Management Program: Amend
- SB20-048 Study Strengthening Water Anti-speculation Law: Support

