



# July 2020 NEWSLETTER

---

## IN THIS ISSUE:



**GENERAL MANAGER ANDY  
MUELLER RECOMMENDS  
FINANCIAL SECURITY FOR  
WEST SLOPE WATER SECURITY**




**COLORADO BUDGET CUTS  
IMPACT WATER**



**COLORADO VOTERS WILL  
BE ASKED TO REPEAL THE  
GALLAGHER AMENDMENT  
IN NOVEMBER**



**UPCOMING EVENTS**



**COLORADO RIVER DISTRICT TO  
USE FEDERAL WATERSMART  
GRANT TO UNDERSTAND  
ECONOMIC IMPACTS OF  
POTENTIAL DEMAND  
MANAGEMENT PROGRAM**



**HYDROLOGY UPDATE**

# GENERAL MANAGER ANDY MUELLER RECOMMENDS FINANCIAL SECURITY FOR WEST SLOPE WATER SECURITY

The Colorado River is under tremendous strain. In seven states and two countries over 40 million people rely upon the river for their drinking water and millions more throughout the United States are fed by the more than three million acres of irrigated agriculture that the river supports. The number of people served by the river is expected to hit at least 70 million by 2060.

Long term drought and rising temperatures mean that we have less water flowing in the river. Over 60% of the river's natural flow originates within the boundaries of the Colorado River District. As the population grows, and the river flows continue to diminish, we are experiencing greater pressure on this limited resource.

There is widespread recognition that the river is out of balance and there are many suggestions as to how the river should be brought back into balance. Many of the suggestions being promoted by Lower Basin states and major metropolitan areas focus on reducing water use in places like our District; people such as former U.S. Secretary of the Interior Bruce Babbitt are calling for a redistribution of water from our agricultural communities to the urbanized Lower Basin. Never has it been so clear that the people of Western Colorado need a strong advocate at the water policy table who can speak for the West Slope with a unified voice, leading in the protection, conservation, use and development of the waters of the Colorado River for the residents and environment within our District. That voice is your Colorado River District.

Unfortunately, even before the current pandemic-inspired economic upheaval, the Colorado River District was facing a declining revenue stream. Declining tax revenues from the fossil fuel industry, losses caused by the Gallagher Amendment and the effects of the Taxpayers' Bill of Rights (TABOR) Amendment are conspiring to drive the District's income into significantly negative territory. The most recent state predictions for 2021 indicate that the Gallagher Amendment alone will likely cause the District to lose approximately \$425,000 in the District's General Fund budget.





# GENERAL MANAGER ANDY MUELLER RECOMMENDS FINANCIAL SECURITY FOR WEST SLOPE WATER SECURITY (CONT.)

Our flat and decreasing revenue led District management in the last 18 months to reduce the District work force by 4 positions or 15%, suspend our grant program, reduce the District vehicle fleet and implement across-the-board reductions in expenses. Even with these cost-saving measures, our financial projections indicate that the District will have to reduce its work force again as soon as 2022. While the District to date has been able to tighten its belt and successfully accomplish our core mission, our ability to protect the West Slope's water security in the future will be significantly compromised through the loss of additional staff positions and proper resources.

Additionally, as our communities face the dual challenges of increasing demand on the Colorado River and reduction in the flow of the river, important West Slope priorities are not being accomplished because they are unfunded. West Slope communities through the three Basin Roundtables in our District have identified priority projects that are essential for water security. The unfunded water priorities span the full range of needs in all categories, including productive agriculture, infrastructure, healthy rivers, watershed health and water quality, conservation and efficiency.

In the recent past, advocacy and creative problem-solving by the District staff have enabled the District to serve as a catalyst for important projects. However, without the ability to bring money to the table we often find ourselves negotiating with our hands out and very little ability to influence the selection and direction of projects. As the District and our water users are forced to turn empty handed to the federal or state government for funding, we find the priorities of the state and federal governments, not those of the West Slope, are dictating the type, location and scope of projects.

The District was founded to lead in the protection, conservation, use and development of the water resources of the Colorado River basin for the welfare of the District. In 1937, at the request of West Slope leaders, the District was authorized to collect up to 2.5 mills in property tax. Today, due to a variety of reasons, the District's mill levy is capped at 0.252 and its current, effective mill levy is set at .235 mills . . . less than one-tenth of its original authorization. The District's ability to fulfill its mission and protect the West Slope is significantly hampered by declining revenue.

In January I recommended to the Colorado River District Board that it consider placing a question on the Nov. 3, 2020 ballot asking voters to approve an increase of the District's taxing authority to up to 0.5 mills. The recommended increase is

**THE ISSUE:** At a time when the Colorado River faces more demand for diminishing flows, the Colorado River District's mission to protect the river and work on water security solutions faces financial pressures because of Colorado's knot of constitutional restrictions on taxes.

**THE REMEDY:** The general manager has proposed to the Board that it go to an election on raising the mill levy from 0.252 mills now to 0.5 mills. The Board will decide on this recommendation on July 21.

## HOW THE EXTRA MONEY

**WOULD BE USED:** of the \$4.9 million the higher mill levy would raise annually, about \$4.2 million would support partnership projects in the District, prioritizing multi-purpose projects that meet needs in one or more of the following five categories: **productive agriculture, infrastructure, healthy rivers, watershed health and water quality, conservation and efficiency.** The rest would address budgetary reductions caused by the Gallagher and TABOR amendments. No new employees would be hired.

# GENERAL MANAGER ANDY MUELLER RECOMMENDS FINANCIAL SECURITY FOR WEST SLOPE WATER SECURITY (CONT.)

predicted on generating approximately \$4.9 million in additional revenue per year at a cost of approximately \$1.90 per \$100,000 in residential value, which is equivalent to a tax increase of \$6.34 annually for the median-priced home in the District.

The Board is still contemplating my recommendation. In January, Board members asked the staff to conduct additional outreach and public opinion research. We commenced that outreach through public forums and started discussions with Boards of County Commissioners. We arranged for public opinion polling to take place in the second half of March before the April Board meeting.

Unfortunately, by mid-March the coronavirus pandemic swept through Colorado and shut down our communities, wreaking economic havoc and interfering with our ability to conduct significant portions of our planned public outreach through districtwide events known as our State of the River meetings.

Our polling conducted in late March, after the closure of the ski areas and during the shut-down of the rest of the state, came back showing strong public support for the recommended tax increase. Specifically, the poll indicated that 65% of the likely voters polled were in favor of the measure. The poll showed widespread support across the political spectrum and throughout the District. The poll also showed incredibly strong support for the mission of the District indicating that projects that focus on water security in Western Colorado are funding priorities for residents throughout the District.

In April, society was coming to terms with the long-term economic effects of the pandemic and the Board and staff expressed concern about moving ahead with any tax increase, no matter how small. The Board requested that staff continue to engage in outreach to the public and county leadership and requested that polling be conducted closer to the July quarterly meeting so that we would have a better, more current understanding of public support for this potential ballot measure.

The additional polling was conducted at the beginning of July, and the report is still being finalized at the time of this writing. Preliminary reports from our research firm indicate that support in early July for the District and the potential tax increase remain high. 63% of likely voters polled support the tax increase. When informed that the increase would be modest, i.e. \$1.90 per \$100,000 in residential value, support for the measure climbed to 67%, identical to the informed support in March. Based upon our outreach to political and civic leaders in the District, there is generally widespread, but not unanimous support for the proposed ballot measure.

We have heard from the public, water-user entities and elected officials that it is incredibly important that the District Board and staff publicly commit to how the funds will be spent by the District. Our Board is contemplating the draft Fiscal Implementation Plan, which if adopted, will outline the District's commitment as to how it would spend the additional revenue.

In summary, the plan calls for the District to allocate approximately 86% or \$4.2 million of the anticipated annual revenue to partnership projects in the District, prioritizing multi-purpose projects that meet needs in one or more of the following five categories: **productive agriculture, infrastructure, healthy rivers, watershed health and water quality, conservation and efficiency.** The plan commits the District to expending funds in an equitable manner which, over time, disperses the benefits of the program geographically within the District boundaries and among the identified categories. The plan also commits the District to utilizing these funds to drive the

# GENERAL MANAGER ANDY MUELLER RECOMMENDS FINANCIAL SECURITY FOR WEST SLOPE WATER SECURITY (CONT.)

initiation and completion of projects that are priorities for residents of the District by utilizing District funds as a catalyst for matching funds from state, federal and private foundation sources.

The Fiscal Implementation Plan itself has greater detail. The remaining approximately 14% of the funds will be utilized by the District to fix the District's internal financial structural deficit caused by the cumulative impact of the Gallagher Amendment, the decline of tax revenue from the fossil fuel industry and TABOR revenue limitations. The District will not utilize the new revenue to create additional staff positions but will allocate the money to fund existing staff positions and business-related expenses. This allocation will help to ensure the financial integrity of the important work of the River District's Enterprise Fund by preserving enterprise reserves for anticipated capital expenses and critical maintenance and repair work on water-supply assets owned by the District.

At our July meeting, the Board will be considering my recommendation and of course, the thoughts and concerns of the public. The Board may decide that the time is right to ask the voters for approval for a tax increase. The staff and Board welcome the public to attend, listen and comment on this important decision.

The public can listen to the meeting by visiting [ColoradoRiverDistrict.com](https://coloradodistrict.com) and navigating to the District's [YouTube channel](#).



**COLORADO RIVER DISTRICT**  
PROTECTING WESTERN COLORADO WATER SINCE 1937



# COLORADO BUDGET CUTS IMPACT WATER

Colorado's budget for fiscal year 20-21 that started July 1 looked very different than anyone could have imagined when the General Assembly convened this winter.

State General Fund forecasts reached a high point of \$13.4 billion in December. By May, however, that estimate had shrunk to \$10.3 billion, a drop of more than 23%, according to economic numbers from economists in the Office of Legislative Council.

The resulting budget cuts had wide-reaching impacts on every corner of state government. As they worked to balance the budget, state legislators were forced to pull some money earmarked for water programs and reallocate those dollars to the general fund, which pays for core services such as education and healthcare

"Water security for West Slope communities is our top priority right now," said River District General Manager Andy Mueller. "It's our job to make sure that these budget cuts don't disproportionately impact water users west of the Continental Divide."

In the end, the Joint Budget Committee was forced to pull more than \$25 million from the agency's Severance Tax Perpetual Base Fund, which uses tax revenue from oil, gas and coal production in the state to grant loans for water projects. Budget writers were also forced to strip \$10 million for Water Plan implementation funding from the Colorado Water Conservation Board's annual Water Projects Bill; and \$10 million from CWCB's Construction Fund, which funds the agency's operations as well as grants.

Interim committees, including the Water Resources and Wildfire Matters Review Committees, were also suspended this year for lack of funding.

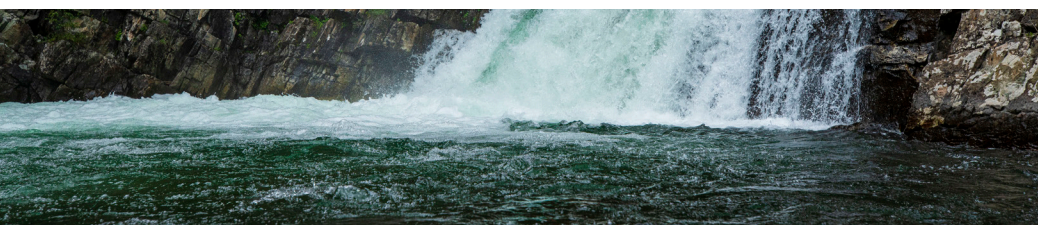
"While a lot is uncertain right now, we're working to ensure that Colorado's Western Slope has the water and financial resources it needs to keep crops and livestock growing and rivers flowing," said Zane Kessler, Director of Government Relations for the Colorado River District.

But the economic impacts of the COVID-19 pandemic haven't just slimmed the budget for fiscal year 2020-2021. On April

30, Governor Jared Polis was forced to freeze state spending for FY 2019-2020, as well. This fiscal freeze restricted spending of \$750,000 of the CWCB's \$1.7 million Demand Management feasibility investigations, which the agency said in an email would be achieved by participating in more virtual meetings, less travel and an "ability to do more work in-house" than anticipated. Demand Management workgroups will continue meeting, the email said. The Colorado Water Plan outlines projects in every river basin in the state that secure our water supply, ensure our agriculture will remain productive and support healthy watersheds. Even before COVID-19, Water Plan projects were underfunded. In 2019, the Water Plan received \$10 million of the requested \$30 million to get projects off the ground.

In addition to this, tax revenue from recently legalized sports betting, which was expected to provide at least \$16 million in funding for the Water Plan, is not expected to generate revenue for the Water Plan this year.

Rep. Marc Catlin (R-Montrose) said right now, legislators are working to get through the crisis. But water is still on his mind and the minds of West Slope residents, and "the irrigation season doesn't stop for a pandemic." Catlin is also a River District Board member.

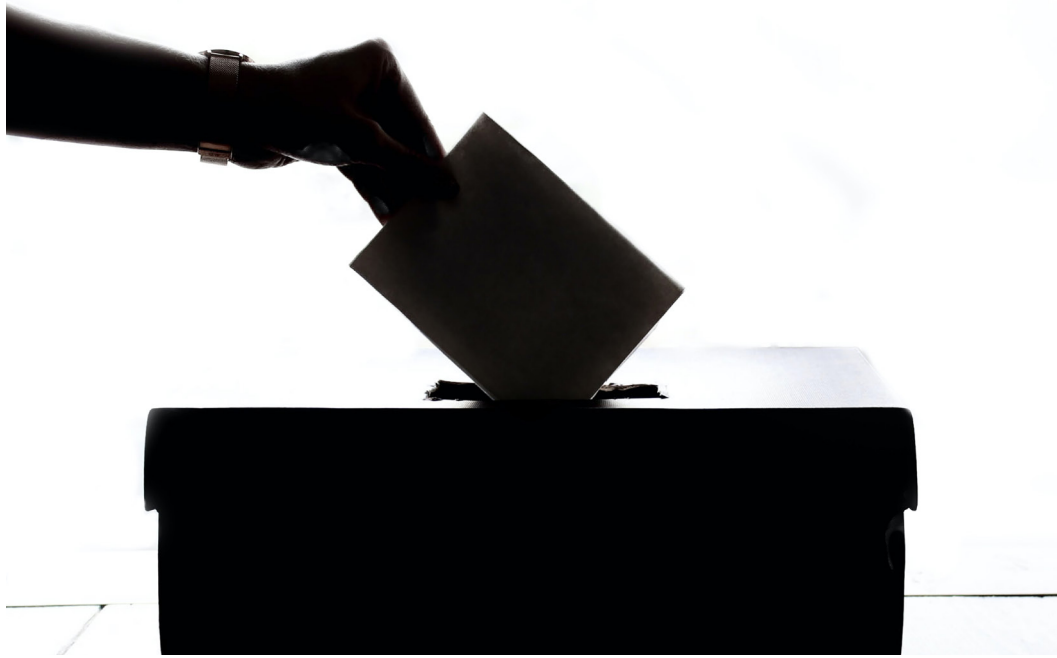


# COLORADO VOTERS WILL BE ASKED TO REPEAL THE GALLAGHER AMENDMENT IN NOVEMBER

In the waning days of the 2020 legislative session, the Colorado General Assembly referred a question to the November ballot asking voters to repeal several constitutional provisions regarding property taxes, collectively referred to as the Gallagher Amendment. The measure, Senate Concurrent Resolution 001, which required a two-thirds supermajority in both chambers, passed the Senate by a vote of 27-7 and the House on a 51-14 vote.

“Policymakers have been discussing potential solutions to the Gallagher Amendment for a number of years now,” says Zane Kessler, Director of Government Relations for the Colorado River District. “The pandemic and resulting budget crisis really brought the issue front-and-center.”

Economic forecasts presented to the state’s Joint Budget Committee last May predicted an historic drop in tax assessment rates due to the economic recession. If that forecast proves to be correct, the state legislature could be asked to cut the statewide Residential Assessment Rate from 7.15% to 5.88% — representing a nearly 18% drop in residential property taxes. Such a drop in residential assessment rates would have a huge impact on local governments and special districts on the Western Slope — including the Colorado River District.



“A drop of this magnitude in the assessment rate could have as much as a \$450,000 negative impact on the District’s general fund revenue,” says Kessler. “It would certainly strain the River District’s abilities to represent and protect West Slope water users.”

## WHAT IS THE GALLAGHER AMENDMENT?

The Gallagher Amendment of 1982 limits the residential and non-residential property tax assessment rates so that residential property tax revenue equals 45% of the total share of state property tax revenue and commercial, or non-residential, property tax revenue equals 55% of the total share.

Under Gallagher, property tax assessment rates were initially set in the state constitution to be 29% for non-residential property and 21% for residential property. The residential assessment rate, or RAR, was adjusted every two years to maintain that 45%-55% split. As a result, the residential assessment rate has fallen from 21% in 1982 to 7.15% today. And business property is assessed at 29% — meaning businesses pay four times the property tax rate that homeowners do.

The boom in residential construction in the past decade, particularly on the Front Range, and the rise in residential property values conspire to push down the RAR to maintain the 45-55 ratio.

# COLORADO VOTERS WILL BE ASKED TO REPEAL THE GALLAGHER AMENDMENT IN NOVEMBER (CONT.)

Kessler specifically points out that “if the forecasts are correct and the residential rate drops to 5.88% in 2021, businesses would be paying five times the residential tax rate.”

## WHAT'S THE CONNECTION BETWEEN GALLAGHER AND TABOR?

In the period between 1982 and 1992 — before Colorado passed the Taxpayer Bill of Rights (TABOR) Amendment — if the RAR went down, local governments and special districts could adjust mill levies to equal out the losses in revenue. With TABOR, however, mill levies could no longer be adjusted upwards without a vote of the electors in the district. This means whenever the RAR is reduced, property tax collections from residential properties (45% of the statewide total) are reduced accordingly.

“This interplay between TABOR and Gallagher has really hamstrung local governments and special districts on the Western Slope” says Kessler.

## WHAT ARE COLORADOANS BEING ASKED TO VOTE ON?

Repealing these provisions from the constitution does not, in and of itself, change the current statutes implementing the Gallagher Amendment, or the corresponding assessment rates. Passage of the measure does, however, eliminate the constitutional requirement that the residential assessment rate be changed in order to maintain the 45/55 percentage ratio.

If voters approve the measure, it will also repeal the 29 percent assessment rate in the constitution for most nonresidential property, the calculation of the target percentage and the requirement that the General Assembly adjust the residential assessment rate to maintain the target percentage.

While the legislature's referred measure required a supermajority in each legislative chamber, the ballot question will only require

a simple majority of voter support to succeed.

In a memo to the Colorado River District's Board, Kessler pointed out that, “Under TABOR, assessment rates may not be increased from their current levels without a vote of the people. Without this measure, however, the residential assessment rate is projected to continue to fall due to the relative growth of residential versus nonresidential property values. The question being presented to Colorado voters maintains the existing residential and nonresidential assessment rates.”

The Colorado River District's Board of Directors unanimously supported Senate Concurrent Resolution 001.



**T**he Colorado River District's mission to protect West Slope water and keep it on the Western Slope is more important now than ever. And even if we cannot meet in-person, we want you to stay in the know about West Slope water current events and challenges.

The River District is hosting several free events to give updates on the latest water issues in your area. All events will be hosted online via Zoom, so you can join in from the comfort of your couch, home office or tractor seat!

Join us for Water With Your Lunch, our lunchtime webinar series addressing a broad range of hot topics in water on the Western Slope. Or, tune in to learn the latest about runoff and local issues in your river basin at one of our upcoming State of the River webinars. If you're busy during any of our events, register to receive a recording of the webinar in your email inbox.

If you missed one of our past webinars, you can view recordings of previous events, including our State of the River meetings and Water With Your Lunch webinars [here](#)

Registration is open now for the Yampa Valley State of the River. The Yampa Valley State of the River will be 6:30 to 8 p.m. Wednesday, July 29. Learn about current Yampa Basin water issues, ongoing drought and challenges facing

West Slope water users at this virtual meeting co-hosted by the Colorado River District, the Community Agriculture Alliance and the Yampa-White-Green Basin Roundtable. [Register here](#)

Save the date and look out for more information about these upcoming events at [coloradoriverdistrict.org](http://coloradoriverdistrict.org):

- Water With Your Lunch: A path to permanence for Shoshone flows – Noon to 1:15 p.m. Wednesday, August 5
- Colorado Mainstem State of the River – 6 p.m. Wednesday, Aug. 19

## COLORADO RIVER DISTRICT TO USE FEDERAL WATERSMART GRANT TO UNDERSTAND ECONOMIC IMPACTS OF POTENTIAL DEMAND MANAGEMENT PROGRAM

**T**he Colorado River District recently earned a \$315,000 “WaterSMART” grant from the U.S. Bureau of Reclamation that will be used to analyze many of the risks that Coloradans face in an uncertain water future. In June, the River District and its partners finalized contracts to execute the grant, meaning the District is now kicking off three grant-funded initiatives to protect West Slope water.

Three actions are related to possible demand-management programs. Information gained from these conversations and studies will give West Slope water users the tools they need to determine if they should take part in demand management, meaning the use of less Colorado River system water in a voluntary, compensated and temporary program.

### UNDERSTANDING THE MAIN STREET IMPACTS OF A POSSIBLE DEMAND MANAGEMENT PROGRAM IN WEST SLOPE COMMUNITIES

Agricultural producers play a critical role in local economies, whether it is equipment repairs at a local mechanic or a ranch hand buying a burger at the local diner. Main street businesses could see changes if farmers, even temporarily, aren't farming. To understand how our local economies might be affected by demand management, the River District is sponsoring a study of the potential secondary economic impacts that such a program could have on the businesses and communities that West Slope agriculture supports.

# COLORADO RIVER DISTRICT TO USE FEDERAL WATERSMART GRANT TO UNDERSTAND ECONOMIC IMPACTS OF POTENTIAL DEMAND MANAGEMENT PROGRAM (CONT.)

## LEARNING MORE ABOUT THE RISKS POSED BY A COLORADO RIVER COMPACT CALL

The grant will also fund the next phase of a multi-year study to understand the risk to Colorado's water users if a curtailment under the 1922 Colorado River Compact is required. This study is designed to identify what water rights might be curtailed by the year of the water right and how that looks in the various river basins.

## LISTENING TO WEST SLOPE STAKEHOLDERS

Finally, the WaterSMART grant will help bring West Slope water users together to understand how to create a program that makes sense for them. While the River District can't get the thousands of water users in the Colorado River District in a room to decide what demand management should look like, it will be working with a broad cross-section of water users from different industries and communities to do just that. The River District wants to be sure that if demand management is implemented, it works for ranchers, towns, and rivers in Western Colorado.

## HYDROLOGY UPDATE

**A** warm, dry spring has given way to a hot, dry summer in Western Colorado and the forecast does not show much relief, at least not yet. Much of the Colorado River District coverage area of 15 Western Colorado counties listed in either severe drought or extreme drought.

Monsoon season can help break the heat and dry conditions. Of the annual precipitation total in this region, monsoons account for 10% of the water input, according to Colorado River District Deputy Chief Engineer Dave "DK" Kanzer. Some 80% of the rest is from snowfall and spring rains, of course, and the last 10% is from groundwater flows. Monsoon season is between June 15 and September 30.

So what's in the offing for the rest of the summer? State Climatologist Russ Schumacher says the mountain regions should start seeing some more regular storms, but the monsoons will "not be great in general." He adds that August and September are the key months for regional rains.



Monsoons are set up when a high pressure system settles over the northern Texas to Four Corners region. The clockwise rotating system, if it is performing as hoped, brings up moisture from the Gulf of Mexico and Mexico that becomes localized rains, usually appearing after the noon hour. A low pressure system hovering over Baja California, rotating counter clockwise, can help sweep up moisture.

Current conditions as of this writing arrived on the heels of a warm and dry spring that quickly eroded what was



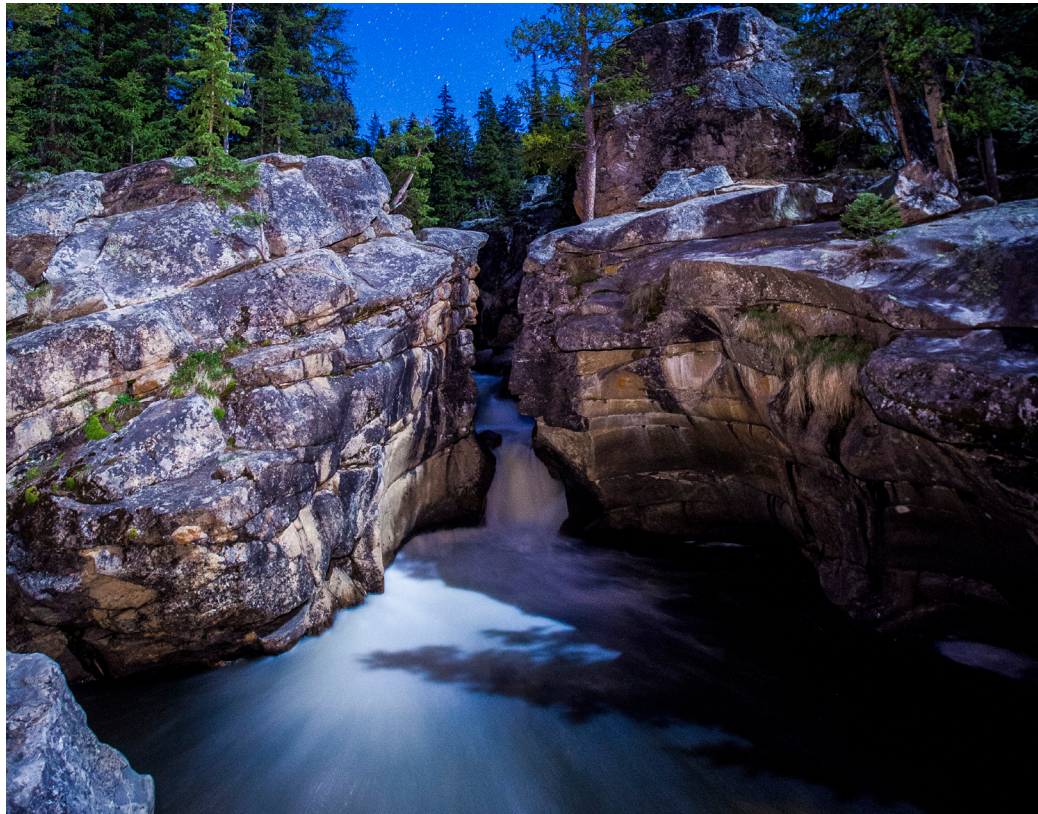
mostly an average snowpack in Western Colorado. That said, the northern half of the state did better than the lower half that includes the Gunnison Basin. The warmth and dryness quickly reduced streamflow predictions that were rosier in March, especially in the Gunnison and San Juan Basins.

Jeff Derry, Executive Director for the Center for Snow and Avalanche Studies in Silverton issued this report:

“April was bad but May proved to be worse. It was hot throughout the state with temperatures in the top 10 highest since 1895. At our Swamp Angel Study Plot (on Red Mountain Pass) between April 27 and May 26 we observed one precipitation event (only 0.47” on May 11) and had not documented an official storm since April 12.”

“With the hot temperatures, no snow storm events, minimal cloud cover, and dust-on-snow conditions, the snowpack didn’t stand a chance and melted two to three weeks earlier than normal in the San Miguel/Dolores/Animas/San Juan Basins ... The Northern Basins melted faster than normal as well but not to the same degree with snow persisting longer. After the first week of May areas of Southern Colorado were back in extreme drought.”

As summer arrived, Western Water Assessment reported that between June 12 and July 12, temperatures were between 2 and 4 degrees above normal across the Colorado River District. Precipitation ranged from 5% to 75% below normal.



## THIRD QUARTERLY BOARD MEETING TUESDAY JULY 21

**D**ue to the coronavirus pandemic and for the protection of our Board of Directors, staff and the community, the Third Quarterly Joint Meeting will be held virtually using Zoom.

You can register to listen to the meeting live at:  
[https://us02web.zoom.us/meeting/register/tZAsc-mopj4qE9YncAm-l53p\\_iMtCRhBlaxd](https://us02web.zoom.us/meeting/register/tZAsc-mopj4qE9YncAm-l53p_iMtCRhBlaxd)

Alternatively, the audio recording of the meeting will be uploaded to our YouTube channel after the meeting.

Please note the morning portion of the meeting will be held in Executive Session. We anticipate the Public Session to begin at approximately 10:25 a.m. If you join the meeting prior to Public Session, you will be placed in the virtual waiting room and added to the meeting upon the conclusion of Executive Session.

[Notice](#) and [Agenda](#) for Third Quarterly General & Enterprise

[Third Quarterly Meeting Packet](#)