COLORADO
Colorado Water Conservation Board
Department of Natural Resources

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John Hickenlooper, Governor

Mike King, DNR Executive Director

James Eklund, CWCB Director

TO: Colorado Water Conservation Board Members

FROM: Craig Godbout, Program Manager
Alternative Agricultural Water Transfer Methods Grant Program (ATM)
Water Supply Planning Section

DATE: September 3, 2015

AGENDA ITEM: 20; Larimer County: Open Space ATM Pilot Project
Alternative Agricultural Water Transfer Methods Grant Request

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Staff Recommendation – Action Items: ATM Grant Request

Background: Of the approximately $4,750,000 in ATM Grant appropriations, approximately $682,400 remains available for qualifying applicants and their respective projects. If approved, the attached ATM Grant application for $178,425 will result in a reduced balance of approximately $504,000.

If approved, the "Larimer County: Open Space Pilot Project" project will constitute the 25th ATM Grant approved by the CWCB. Of the previous 24 projects, 10 are in-progress, and 14 have been completed or closed-out.

Staff's review of the applications involves the following steps:
1) Applications are reviewed for completeness based on the information requirements, which are primarily outlined in the Criteria and Guidelines (C&G).
2) Applications are reviewed to verify that the water activity meets the eligibility requirements in the C&G.
3) Staff then prepares the Water Activity Summary Sheet which documents the outcome of the review process and contains staff's recommendations.

Staff concludes this ATM Grant application is complete and the proposed activity meets the eligibility requirements in the C&G. The Water Activity Summary Sheet, ATM Grant Application, and letters of support and commitment are attached.

Staff recommendation:
Staff recommends approval of up to $178,425 from the Alternative Agricultural Water Transfer Methods Grant Program to help fund the "Larimer County: Open Space ATM Pilot Project".

Alternative Agricultural Water Transfer Methods – Competitive Grant Program
Water Activity Summary Sheet
September 15-17, 2015
Agenda Item 20

Applicant & Fiscal Agent:	Larimer County
Water Activity Name:	Open Space ATM project
Water Activity Purpose:	Pilot project to implement in the South Platte basin a permanent interruptible ATM water supply for a M&I provider while providing perpetual protection of irrigated lands.
Drainage Basin:	South Platte
Water Source:	CB-T and native South Platte basin water
Amount Requested:	$178,425
Matching Funds:	**$**20,000 total cash match from (11.2% of total grant request) $25,000 in-kind match

Staff Recommendation
Staff recommends approval of up to $178,425 from the Alternative Agricultural Water Transfer Methods Program to help fund the "Larimer County Open Space ATM Project".

Water Activity Summary: The Larimer County Open Lands Program (LCOLP) will lead the effort to prove the concept of implementing a permanent Alternative Agricultural Water Transfer Methods (ATM) water supply for an M&I provider located within the South Platte River basin. This project will implement up to two ATM pilot projects providing for the perpetual protection of irrigated farm land and perpetual use and ownership of interruptible water supplies by a participating M&I water provider.

LCOLP will acquire the fee title or development rights for up to two irrigated farm properties with the intent of preserving the land for its conservation values (e.g. agricultural production, scenic, open space, recreation, environment and/or historical significance) and partnering with an M&I water provider to cover part of the purchase price, and execute a water sharing agreement with the M&I provider to provide an interruptible water supply to the M&I provider while also providing a perpetual agricultural water supply.

Through the implementation of up to two pilot projects, LCOLP intends to develop a model for future LCOLP projects and other similar ATM project sponsors. While each farm will have its unique attributes, including its water rights, this project will help to establish guidance for those wanting to replicate the approach. To ensure this, the applicant will provide a report detailing the financial, legal and technical considerations and lessons learned. This will describe the approach and criteria used for selecting a candidate farm, the pre-purchase due diligence, negotiations with the M&I provider(s), development of an interruptible water supply agreement, land preservation options, further development of a farm and water management program (since Larimer County Open Lands currently owns very few water rights), water right court and/or administrative processes and the financial analyses, tools and agreements.

This project seeks to demonstrate farms with two general categories of water rights: (1) a farm with primarily Colorado Big Thompson Project (C-BT) water rights with some native rights, and (2) a farm with primarily native water rights. Each of these farm types have advantages and disadvantages which are more thoroughly described in the statement of work.

The LCOLP is prepared to purchase up to two irrigated farms and develop pilot ATM projects with participating M&I water providers. When determining which farms to acquire for this pilot, we will use criteria established by the County's Agricultural Advisory Board, known as LESA (Land Evaluation Site Assessment), along with additional criteria to be developed in this project by staff and consultant team to ensure the candidate farms will be suitable for an ATM project (e.g. seniority, ability to delivery water to water provider, onsite recharge/augmentation capability, etc.). This process and other specifics such as crop types, yields and annual water diversions will be documented in the final report to the CWCB.

LCOLP has informally discussed this project with several M&I water providers (districts and towns) in Northern Colorado and has received confirmation that they would participate in a pilot project. Since each pilot farm will differ in the ability to deliver the ATM water to each M&I water provider, we will wait until the farm is identified prior to negotiating with a given water provider. This process and other specifics such as a description of the M&I water provider's system will be documented in the final report to the CWCB.

Discussion: No further discussion is required.

Issues/Additional Needs: No issues or additional needs have been identified.

CWCB Project Manager: Craig Godbout

All products, data and information developed as a result of this grant must be provided to the CWCB in hard copy and electronic format as part of the project documentation. This information will in turn be made widely available to Basin Roundtables and the general public and will help promote the development of a common technical platform.

In accordance with the Criteria and Guidelines of the Alternative Agricultural Water Transfer Methods Competitive Grant Program, staff would like to highlight additional reporting and final deliverable requirements. The specific requirements are provided below.

Reporting: The applicant shall provide the CWCB a progress report every 6 months, beginning from the date of the executed contract. The progress report shall describe the completion or partial completion of the tasks identified in the scope of work including a description of any major issues that have occurred and any corrective action taken to address these issues.

Final Deliverable: At completion of the project, the applicant shall provide the CWCB a final report that summarizes the project and documents how the project was completed. This report may contain photographs, summaries of meetings and engineering reports/designs.

Engineering: All engineering work (as defined in the Engineers Practice Act (§12-25-102(10) C.R.S.)) performed under this grant shall be performed by or under the responsible charge of professional engineer licensed by the State of Colorado to practice Engineering.

LARIMER COUNTY
COMMITTED TO EXCELLENCE

DEPARTMENT OF NATURAL RESOURCES
• Visitor Services • Open Lands • Weed Management & Forestry
1800 South County Road 31
Loveland, CO 80537
(970) 619-4570/ (970) 619-4574 FAX
www.larimer.org/naturalresources

Mr. Craig Godbout
Colorado Water Conservation Board
1313 Sherman Street, Suite 721
Denver, CO 80203

August 27, 2015

Dear Mr. Godbout,

Per your request I would like to supplement our recent grant application with some additional information specifically related to a potential land and water acquisition currently under negotiation in Larimer County. If our grant request is funded, it will be used to help facilitate and implement the closing of a working farm property, known as Malchow, in the Berthoud area.

The property is located just north of the Little Thompson River on the west side of Highway 287 and on the south side of County Road 6, one mile southwest of Berthoud and just outside of Berthoud's Urban Growth Area. The landowner is Malchow Farms LLLP and the Malchow sisters have been the signatory parties on behalf of the LLLP since the death of their brother about 1 year ago.

The farm is approximately 210 acres. Of that, approximately 188 acres are irrigated, 18 are in pasture and a small 5-acre area surrounds the farmstead buildings. The land is primarily irrigated by a center pivot sprinkler system and flood irrigation, growing mostly corn, sugar beets, alfalfa and hay via a year-to-year farming lease held by a neighbor. The bottom portion of the property is within the 500-year floodplain of the Little Thompson River.

Water rights on the property consist of: 240 units of CBT; 16 shares of Handy Ditch; 20 shares of Dry Creek Lateral.

After the death of their brother, the sisters listed the property for $8.5 million and a contract was quickly placed on the land. Larimer County Open Lands, whose interest is to keep the land a working farm for young or emerging farmers (per our recent 2015 *Open Lands Master Plan*), believed the opportunity to be lost. However, one of our land agents decided to follow up and see if the property had actually closed. Amazingly, the deal had fallen apart and we were able to negotiate a deal with the sisters. We are now in the final stages of signing a contract. They are highly interested in keeping the land as a working farm in memory of their families' history, as well as their late brothers' honor, and are willing to wait on closing until the outcomes of this grant are in place.

Over the past few months we have had sought and received advice from a myriad of professionals as we think about how to conserve a relatively small piece of land with very expensive water. We engaged several members of the Poudre Sharing group, our own Open Lands Advisory Board (OLAB), and our local government counterparts that have been successful with farm and water conservation. For example, Jason Brothers is a water engineer on OLAB while George Wallace and Mary-Lou Smith (CSU), Steve Malers (Open Water Foundation), Andy Jones (water attorney), Mark Sears (City of Fort Collins), Todd Doherty (City of Boulder), Janis Whisman (Boulder County), and Brad Wind (Northern

Water) helped explain Alternative Transfer Methods, water sharing agreements, and interruptible water supply agreements. George made at least one presentation to our OLAB about these complicated concepts, and Fort Collins Natural Areas provided examples of agreements they have used with their water utility. The County enlisted Bill Fischer, a local water attorney, to review the land and water purchase contract sent to the Malchows realtor, on our behalf.

If funded, the County must follow standard procurement processes to hire a project manager and subsequent attorney's and engineers. Based on our experiences to date, we feel confident that the kind of assistance we need to close this deal is available.

If you have any further questions, comments or concerns, please do not hesitate to contact me. I look forward to any feedback you may have, and to an ultimate decision by your board. Thank you!

Respectfully,

Kerri L. Rollins, Manager
Larimer County Open Lands Program

COLORADO WATER CONSERVATION BOARD

ALERNATIVE AGRICULTURAL WATER TRANSFER METHODS COMPETITIVE GRANT PROGRAM

GRANT APPLICATION FORM

Larimer County Open Space ATM Pilot Project

Program/Project Name

River Basin Name

$178,425

Amount of Funds Requested

$20,000 cash match $25,000 in-kind Up to $10 million (for the acquisition

Amount of Matching Funds

Instructions: This application form must be submitted in electronic format (Microsoft Word or Original PDF). The application can be emailed or a disc can be mailed to the address at the end of the application form. The Alternative Agricultural Water Transfer Methods Competitive Grant Program, Criteria and Guidelines can be found at http://cwcb.state.co.us/LoansGrants/alternative-agricultural-water-transfer-methods-grants/Pages/main.aspx. **The criteria and guidelines must be reviewed and followed when completing this application**. You may attach additional sheets as necessary to fully answer any question, or to provide additional information that you feel would be helpful in evaluating this application. Include with your application a cover letter summarizing your request for a grant. If you have difficulty with any part of the application, contact Craig Godbout of the Water Supply Planning Section (Colorado Water Conservation Board) for assistance, at (303) 866-3441 x3210 or email at craig.godbout@state.co.us.

Generally, the applicant is also the prospective owner and sponsor of the proposed program/project. If this is not the case, contact Craig before completing this application.

Alternative Agricultural Water Transfer Methods – Grant Application Form
October 2010

Part A. - Description of the Applicant(s) (Program/Project Sponsor);

1. Applicant Name(s): Larimer County Open Lands Program)

Mailing address: Larimer County Department of Natural Resources
1800 S CR 31, Loveland 80537

Taxpayer ID#: 98-04270 Email address: krollins@larimer.org

Phone Numbers: Business: 970-619-4577

Home:

Fax:

2. Person to contact regarding this application if different from above:

Name: Kerri Rollins

Position/Title Larimer County Open Lands Manager

3. If the Contracting Entity is different then the Applicant, please describe the Contracting Entity here.

n/a

4. Provide a brief description of your organization. The applicant may be a public or private entity. Given the diverse range of potential applicants, not all of the following information may be relevant. Where applicable and relevant the description should include the following:

    a) Type of organization, official name, the year formed, and the statutes under which the entity was formed, a contact person and that person's position or title, address and phone number. For private entities, a copy of the Articles of Incorporation and By-laws should be appended to the application.

    Larimer County is a public entity created in 1861 as one of seventeen original counties in the Colorado Territory. Larimer County Open Lands Program, a subset of the County's Department of Natural Resources, was formed in 1996 to preserve and protect significant open space, natural areas, and wildlife habitat, and develop parks and trails for present and future generations. The Open Lands Program is funded through a ¼-cent sales and use tax and guided by a 12-person citizen advisory board. In nearly 20 years, the program has conserved over 25,000 acres in fee and over 8,000 acres in conservation easement.

    The contact person for this project is Kerri Rollins, Larimer County Open Lands Manager, at 1800 S CR 31, Loveland, Colorado 80537. Ms. Rollins' phone number is 970-619-4577.

    b) For waters suppliers, information regarding the number of customers, taps, service area, and current water usage, and future growth plans, water related facilities owned or used, funding/revenue sources (existing service charges, tap fees, share assessments, etc.), the number of members or shareholders and shares of stock outstanding or a description of other means of ownership.

    As part of this pilot project, Larimer County's Open Lands Program (LCOLP) will partner with one or more local municipal and industrial (M&I) water providers. Several water utilities have indicated strong interest in obtaining permanent interruptible (i.e. dry year) water supplies made available through this pilot project.

    c) For other entities, background, organizational size, staffing and budget, and funding related to water that is relevant in determining whether the applicant has the ability to accomplish the program/project for which funding is sought.

    Larimer County's farmland is being converted to other uses at a rate of 4,500 acres each year. Between 1997 and 2007, 8.4 percent of farmland in Larimer County was converted to a non-agricultural use. This loss threatens a way of life in Larimer County as well as a major component of the local economy. Larimer County's Open Lands Program has conserved

some irrigated agricultural lands by utilizing conservation easements to tie the water to the land, and a small selection of fee acquisitions where irrigated agricultural land played a minor role in the larger conservation project. Irrigated agricultural land has been drastically underrepresented in the program's land conservation portfolio because of the high cost of water. 86% of the high priority working farm and ranchlands in the County are currently under no form of protection. Larimer County citizens have identified acquiring water rights for agricultural lands, providing land for emerging farers and small acreage farming, and conserving working farms and ranch lands as specific conservation goals they would like the County to address. The County's Agricultural Advisory Board has also been advocating the protection of irrigated agricultural lands in Larimer County. As a result of all of this feedback, the Open Lands Program identified the specific goal of conserving irrigated agricultural lands in our recently published Master Plan.

The Department of Natural Resources currently employs approximately 46 permanent and 100+ seasonal staff members who are responsible or provide support for developing, maintaining and managing properties for recreation and conservation. The staff members who will accomplish this project, including the property acquisitions team, work in the Open Lands Program, but they will receive support from across the department on these projects. The Open Lands Program is funded through a ¼-cent sales and use tax, which was renewed by 82% of voters in 2014 and, as a result, will continue to collect sales tax dollars that fund acquisition and management of open spaces and conservation easements through 2043. Last year, Larimer County's Open Lands Program had actual expenses of $4,353,641 and collected $5,388,708 in sales tax dollars.

d) A brief history of the Applicant(s).

Larimer County Department of Natural Resources (then the Parks Department) was created in 1954 to manage recreation on the Colorado Big Thompson project reservoirs in the county, with Horsetooth Reservoir and Carter Lake being the most well known. In 1981, a 6-month sales tax was passed by the citizens of Larimer County to purchase Horsetooth Mountain Open Space, and its management was placed under this county department. In 1995, a ¼-cent sales and use tax was passed by citizens to preserve open space in Larimer County, and the

county's Open Lands Program was formed the following year as a subset of the Natural Resources Department. The Help Preserve Open Spaces sales and use tax was been renewed twice since 1995, most recently in 2014. Today, with support from Open Space sales tax dollars and many partners, Larimer County Department of Natural Resources manages a variety of reservoir parks, open spaces and trails throughout the county, from Estes Park in the west to the county's northern, eastern and southern borders. In addition, the department works with willing landowners to place conservation easements on private properties to protect agricultural, ranching and natural resource values.

e) Please include any relevant Tabor issues relating to the funding request that may affect the Contracting Entity.

In 1999, voters in Larimer County voted to "De-Bruce" and therefore are not subject to the restrictions imposed by the TABOR Act.

Part B. - Description of the Alternative Water Transfer Program/Project –

1. Purpose of the Program/Project

   Please provide a summary of the proposed program/project, including a statement of what the program/project is intended to accomplish, the need for the program/project, the problems and opportunities to be addressed, the expectations of the applicant(s), and why the program/project is important to the applicant(s). The summary must include a description of the technical, institutional (i.e., how the program/project will be organized and operated), and legal elements that will and/or have been addressed by the applicant and proposed program/project. The summary should also discuss relevant project history, if applicable, and any other relevant issues.

   Previous Studies
   To the maximum extent possible, the results of any previous studies and investigation should be utilized and incorporated into the proposed program/project. The application for funding should include a brief summary of the results of previous studies and how they will be utilized.

   The Larimer County Open Lands Program (LCOLP) will lead the effort to prove the concept of implementing a permanent Alternative Agricultural Water Transfer Methods (ATM) water supply for an M&I provider located within the South Platte River basin. This project will implement up to two ATM pilot projects providing for the perpetual protection of irrigated farm land and perpetual use and ownership of interruptible water supplies by a participating M&I water provider.

   LCOLP will acquire the fee title or development rights for up to two irrigated farm properties with the intent of preserving the land for its conservation values (e.g. agricultural production, scenic, open space, recreation, environment and/or historical significance) and partnering with an M&I water provider to cover part of the purchase price, and execute a water sharing agreement with the M&I provider to provide an interruptible water supply to the M&I provider while also providing a perpetual agricultural water supply.

   While LCOLP has preserved approximately 33,000 acres, less than 1,000 acres are irrigated farmland because its associated water rights are cost prohibitive, and Larimer County has little to no experience in executing such a transaction. The acquisition of one farm with water rights could potentially exceed LCOLP's annual budget and sales tax revenues. In recognition of this, the LCOLP is now pursuing innovative means to leverage their funds to maximize their impact. By coupling land preservation efforts (e.g. fee title or conservation easements) with an interruptible water

supply agreement with M&I water providers, it is feasible for LCOLP to preserve irrigated agricultural lands at a reduced cost thereby preserving farmlands and creating a broader positive impact.

Through the implementation of up to two pilot projects, LCOLP intends to develop a model for future LCOLP projects and other similar ATM project sponsors. While each farm will have its unique attributes, including its water rights, this project will help to establish guidance for those wanting to replicate the approach. To ensure this, the applicant will provide a report detailing the financial, legal and technical considerations and lessons learned. This will describe the approach and criteria used for selecting a candidate farm, the pre-purchase due diligence, negotiations with the M&I provider(s), development of an interruptible water supply agreement, land preservation options, further development of a farm and water management program (since Larimer County Open Lands currently owns very few water rights), water right court and/or administrative processes and the financial analyses, tools and agreements.

This project seeks to demonstrate farms with two general categories of water rights: (1) a farm with primarily Colorado Big Thompson Project (C-BT) water rights with some native rights, and (2) a farm with primarily native water rights. Each of these farm types have advantages and disadvantages which are more thoroughly described in the statement of work.

2. Study Area/Service Area Description

The study area/service area is generally the geographic area that is the subject of the proposed program/project (include both the source of supply and location and type of new use). The description should include the following items:

a) A narrative description of the study area/service area including: the county, the location of towns or cities, topography, and locations of major surface and ground water features.

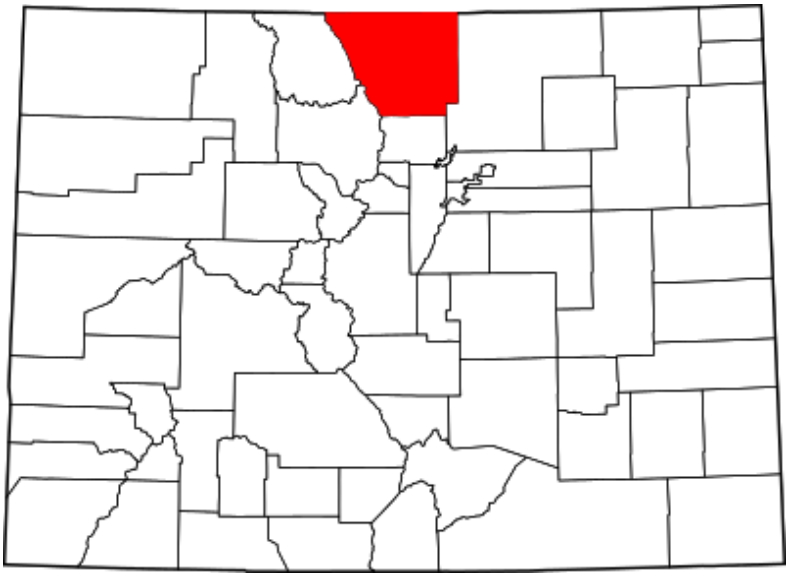
Larimer County is located in north central Colorado. It is the sixth largest county in Colorado by population. The county extends to the Continental Divide and includes several mountain communities and part of Rocky Mountain National Park. The County encompasses 2,640 square miles that include some of the finest irrigated farmland in the state, as well as vast stretches of scenic ranch lands, forests and high mountain peaks. Over 50% of Larimer County is publicly owned, most of which is land within Roosevelt National Forest and Rocky Mountain National Park. In addition to these federal lands, Colorado Parks and Wildlife, and Larimer County Parks and Open Lands combine to provide a wide spectrum of recreational opportunities that are enjoyed by both residents and visitors. Cities and towns include Fort Collins, Loveland, Berthoud, Estes Park, Johnstown, Timnath, Wellington and Windsor.

Early growth of agriculture depended highly on direct river irrigation from the Cache La Poudre River, Big Thompson River, the Little Thompson River and numerous creeks and tributaries. The Colorado Big-Thompson Project provided a significant increase in the agricultural productivity of the region in the 1930s. This project collected and captured Western Slope water, and carried it to the Colorado Front Range counties of Boulder, Larimer and Weld, along with an extensive water storage and distribution system, which significantly extended the irrigable growing season and brought substantial additional land under irrigation for the first time.

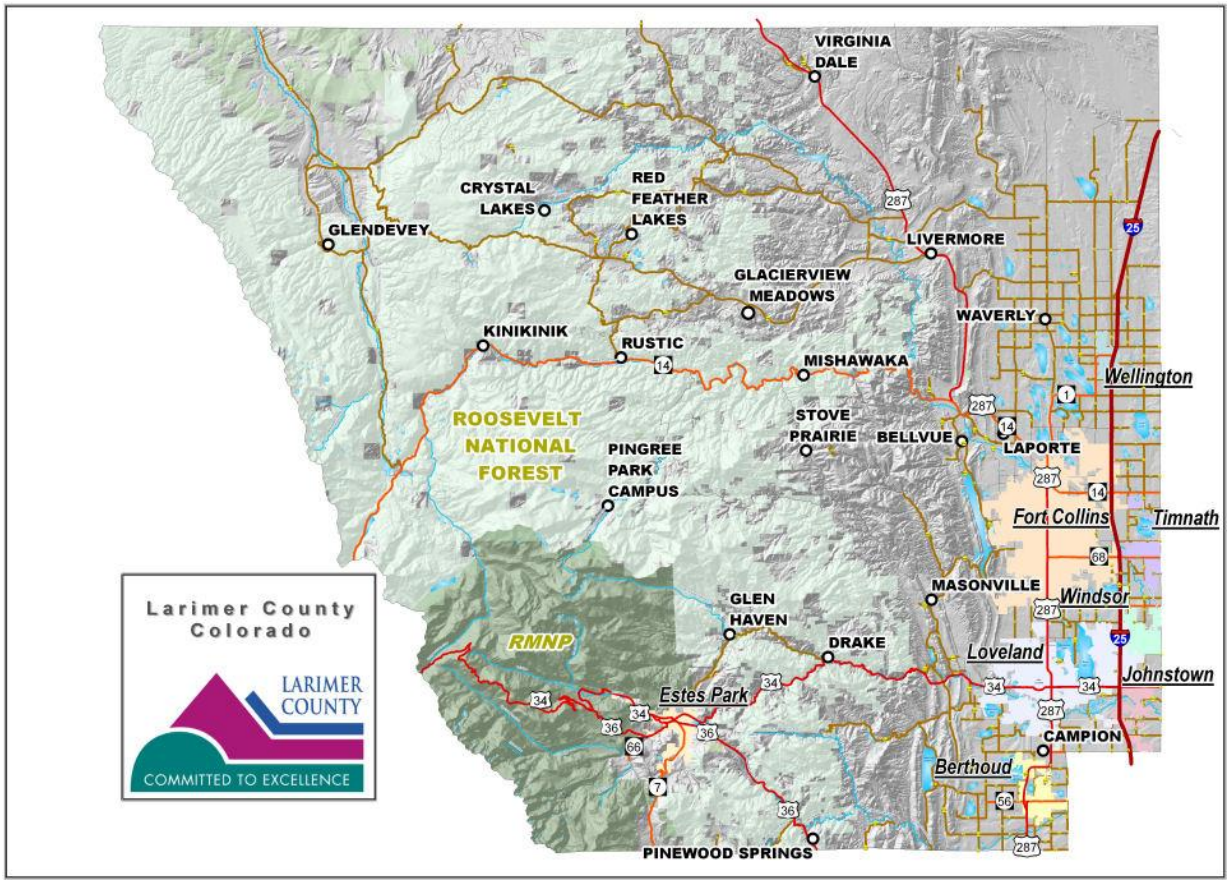
b) An area map showing each of the items above, as well as the locations of existing facilities, proposed project facilities and boundaries of lands involved in the proposed program/project.

This project will involve up to two ATM pilot projects. LCOLP proposes to utilize up to two pilot farms where one has

primarily CB-T water and the other will have primarily native irrigation water.



Location of Larimer County in Colorado



c) Information regarding the irrigated lands that are involved in the program/project. This must include a tabulation of total irrigated acreage, description of cropping types, crop yields, and total average annual water diversions for existing agricultural lands.

The LCOLP is prepared to purchase up to two irrigated farms and develop pilot ATM projects with participating M&I water providers. When determining which farms to acquire for this pilot, we will use criteria established by the County's Agricultural Advisory Board, known as LESA (Land Evaluation Site Assessment), along with additional criteria to be developed in this project by staff and consultant team to ensure the candidate farms will be suitable for an ATM project (e.g. seniority, ability to delivery water to water provider, onsite recharge/augmentation capability, etc.). This process and other specifics such as crop types, yields and annual water diversions will be documented in the final report to the CWCB. This project seeks to demonstrate an ATM project with two general categories of farms and water rights: (1) a farm primarily irrigated by C-BT water with some native water rights and (2) a farm primarily

irrigated by native water rights. Each of these farm types have advantages and disadvantages which are briefly described below.

1. **Farm with C-BT and native water rights:** The clear advantage of using a farm with C-BT water is that the water can be transferred with minimal transaction costs as it precludes having to go to water court to change the decree to add additional users, place of use and timing of use. The disadvantage of using a farm with C-BT water is the cost of the water. Recent sales of C-BT units indicate that units are currently selling for approximately $30,000. The high price of C-BT water is primarily due to the ability to avoid water court and the associated high costs of engineering and legal fees.

2. **Farm with native water rights:** The farm with native water rights will be less expensive as the water rights will need to change the decree to add additional users, place of use and timing of use to be used by an M&I provider. The transaction costs associated with the water court process are expensive and often take many years before a water court decree is granted. Water right change cases are expensive. Typical water rights change cases can costs between $100,000 to $400,000 depending on their complexity and the number of objectors in the case. To minimize the water court costs for this demonstration project, the applicant will seek to develop a project with minimal complexity and to partner with an M&I provider located in close proximity (ideally downstream) to the subject farm.

d) Information regarding the location of the new water use(s) that will be served by transferred water including the estimated number of users/taps and/or uses served.

LCOLP has informally discussed this project with several M&I water providers (districts and towns) in Northern Colorado and has received confirmation that they would participate in a pilot project. Since each pilot farm will differ in the ability to deliver the ATM water to each M&I water provider, we will wait until the farm is identified prior to negotiating with a given water provider. This process and other specifics such as a

description of the M&I water provider's system will be documented in the final report to the CWCB.

e) Socio-economic characteristics of the area such as population, employment and land use.

The Colorado State Demographer's Office provides that 315,728 people reside in Larimer County as of 2013. According to the U.S. Census Bureau, the county has a total area of 2,634 square miles. The latest data shows that both Fort Collins and Greeley (Weld County) were two of the fastest growing metropolitan areas in the entire country in 2014. The data shows that more than 14,000 residents moved into the region in the recent 12 month span. The Fort Collins-Loveland metro has grown 2.4 percent year over year, which resulted in a gain of 7,628 people. This places Fort Collins as the 12th fastest growing area in the Country. Greeley's ranking is 8th after adding 7,110 residents when comparing year after year. This is an increase of 2.6 percent for the region.

Agriculture is a cultural and economic cornerstone of Larimer County. Much of the county's landscape is dominated by expanses of farm and ranch lands. Approximately 1,760 farms and ranches cover nearly a half-million acres or 30 percent of the county's total land area. While the number of farms in the county has increased, these farms have become considerably smaller. The average farm size decreased by nearly 100 acres between 1997 and 2007. Overall the county is losing farmland due to residential and commercial development and the purchase and transfer of valuable water rights from agricultural to urban uses. This loss not only threatens a way of life in Larimer County, but also threatens a major component of the local economy.

3. Description of the Alternative Water Transfer Method

Please describe the type(s) of water transfers that will be examined/utilized (i.e., conceived transfer methods include, but are not limited to: 1) interruptible water supply agreements; 2) long-term agricultural land fallowing; 3) water banks; 4) reduced consumptive use through efficiency or cropping changes while maintaining historic return flows; and 5) purchase by end users with leaseback under defined conditions). In addition, please describe how the transferable consumptive use will be calculated and quantified, and how return flow patterns will be addressed/maintained.

Each pilot farm will have its own characteristics which will help determine the most appropriate alternative water transfer method (or combination of several methods) to employ. LCOLP expects that interruptible water supply agreements will be the tool applied but it is possible that other ATMs could be utilized if practical.

One of the pilot farms will have C-BT water. Being such, the transfer of C-BT to an M&I water provider on an interruptible basis will follow Northern Colorado Water Conservancy District's policies and procedures. The applicant has discussed this approach with Northern Water staff and have concluded that the process should be relatively straightforward. Also, being C-BT water, users are entitled to a single use of the water and are not required to maintain return flow patterns.

The other pilot farm will have primarily native water rights which are subject to maintaining return flow patterns. LCOLP also expects to enter into an interruptible water supply agreement with an M&I water provider for a portion of the irrigation water's historic consumptive use (HCU). Being native water, LCOLP intends to go to Water Court to add other uses to accommodate the new M&I water provider's needs. Through the water court process, return flow obligations will be adhered to.

4. Program/Project Eligibility

Please describe how the proposed program/project meets each of the following eligibility requirements (please see Criteria and Guidelines for additional information regarding the alternative water transfer methods/strategies that qualify for funding). Note: If these requirements are addressed in other parts of the application you may simply reference the applicable section(s).

a) A description of how, if implemented, the proposed program/project will protect property and water rights.

Any water right change will go through water court proceedings where other water right holders are entitled to file a

statement of opposition to ensure their water rights are not injured. If C-BT is involved, Northern Water's policies and procedures will be followed.

b) Identified group(s) of agricultural users that are or may be willing to transfer a portion of their water and identified entity(s), group(s) or area(s) where the transferred water could or would be put to the new use and a description of the new use.

Willing sellers of farmland located within Larimer County that meet the LCOLP's goals and objectives for preservation. The participating M&I water provider will be selected based on the location of farm and negotiations on price of the ATM water.

c) The program/project must at a minimum conceptually describe the technical, institutional, and legal elements of the water transfer. Grant monies may be used to address one or more of these elements. If grant monies are not requested for all three elements, the grant applicant must describe how the applicant has or intends to address the elements, which are not included in the grant request, through other efforts.

Through the implementation of up to two pilot projects, LCOLP intends to develop a model and/or template for other similar ATM project sponsors to use. While each farm will have its unique attributes, including its water rights, this project will help to establish guidance for those wanting to replicate the approach. To ensure this, the applicant will provide a report detailing the financial, legal and technical considerations and lessons learned through this pilot project. The report will describe the approach and criteria used for selecting a candidate farm, the pre-purchase due diligence, negotiations with a M&I provider, development of an interruptible water supply agreement, land preservation options, development of a farm and water management program, water right court and/or administrative processes and the financial analyses, tools, easements and agreements.

d) If grant monies are proposed for use for legal assistance then the use of those funds shall be oriented toward advancing the knowledge of alternative agricultural water transfer methods and techniques; not for preparation of a specific water court case. The total requested funds for legal assistance shall not exceed 40 percent of the total grant request. In addition, grant monies proposed for use for legal assistance must be used to collaboratively address issues and concerns related to agricultural water transfer. Funds shall not be used to solely advance the cause of the project proponents.

Grant funds will not be used for the preparation of a specific water court case. The grant funds for legal services will be applied to the interruptible supply agreements, assistance

with negotiating between the parties and helping to address issues and concerns that parties may have regarding these specific pilot projects and/or alternative water transfers.

e) A minimum of a 10 percent cash match of total project cost (past expenditures and "in kind" can not be counted toward the 10 percent match).

Larimer County commits $20,000 or approximately 10% as a cash match for this grant request. In addition, LCOLP will be contributing at least $25,000 in in-kind contributions.

Further, if the property/water rights acquisitions are taken into consideration, the match amount could approximate $10 million.

5. Program/Project Evaluation Criteria

The following grant evaluation criteria will be used by the CWCB to evaluate and make recommendations to fund, partially fund or not fund a grant application. The criteria are aimed at advancing alternative transfer methods from the literature and studies to actual on the ground projects/programs that provide reliable water supply and sustain key elements of the agricultural area from which the water is transferred. The applicant should fully address and explain in detail in the application how, and the extent to which, the proposed project/program meets each of the criteria. However, it should be noted that the project does not have to meet all of the criteria to be eligible to receive funding and the criteria below are not listed in any order of important or priority.

a. The proposed project/program builds upon the work of former alternative water transfer methods efforts and addresses key areas that have been identified. For more detailed information on this work, please refer to the draft report: *Alternative Agricultural Water Transfer Methods Grant Program Summary and Status Update*, November 2012.

The report summarizes the past ATM funded projects and provides a list of findings and recommendations based on this work. Many of the studies that have been funded by the CWCB through the ATM program have identified several barriers to successful implementation. This project seeks to directly address three of the four major barriers to successful implementation of ATMs: permanency issues, high transaction costs associated and water rights administration uncertainties and water rights accounting questions associated with ATMs. By taking a water right through the water court process to add additional M&I users, the M&I water provider will have partial ownership of the water right which addresses the permanency issue. With the C-BT water, an agreement will be in place in perpetuity which also addresses

this issue. The high transaction costs associated with water court proceedings is a reality and we intend to include this cost in the price of the ATM water. Through this pilot and the farm/water management plans, and through the water court process, specific water rights administration and accounting questions will be addressed and a description will be included in the final report to the CWCB.

b. The proposed project addresses one or more key recommendation(s) in the report: *Alternative Agricultural Water Transfer Methods Grant Program Summary and Status Update*, November 2012.

We believe this project directly address multiple key recommendations in the report.

Recommendations #1 and 2: Recognizing that each municipal water system and each ditch company are unique, the CWCB should continue to promote and facilitate agreements between irrigators and municipal water providers and should continue to support demonstration/pilot projects to determine the feasibility of new concepts or techniques as needed.

Considering that this project will provide the demonstration of up to two ATM projects, this project will test many of the key areas that are discussed in the CWCB's 2012 ATM report. By having these on-the-ground pilots, we will learn the considerations from the local government perspective (including the Open Lands Program), the farmer and the municipal water provider.

In addition, the CWCB 2012 ATM report recommended coupling conservation easements with interruptible water supply agreements. This project will at a minimum utilize conservation easements as a tool for perpetual preservation of the farm land, and provide language to permanently tie any existing water rights to the land. If conservation easements are not utilized, LCOLP will hold the fee title outright which is potentially more protective than a conservation easement alone.

c. Preference will be given to projects that provide additional matching resources in the form of cash, past expenditures and in-kind contributions that are in addition to the required 10% cash match.

Larimer County commits $20,000 or approximately 10% as a cash match for this grant request. In addition, LCOLP will be contributing at least $25,000 in in-kind contributions.

Further, if the property/water rights acquisitions are taken into consideration, the match amount could exceed $10 million.

d. The proposed project/program has the ability/potential to produce a reliable water supply that can be administered by the State of Colorado, Division of Water Resources.

As described in the statement of work, a specific task will be to ensure that the water use is verified and accounted to the satisfaction of the State Engineer's Office and the Division One Engineer's Office.

e. The proposed project/program produces information that is transferable and transparent to other users and other areas of the state (i.e., would provide an example "template" or roadmap to others wishing to explore alternate transfer methods).

Yes, the intent of these pilots is to demonstrate that ATMs can work under existing law and can provide a municipal water provider an interruptible water supply (i.e. dry year water) while preserving irrigated agricultural lands. We will document all aspects of the project including the legal, technical and institutional constraints and opportunities in the final report that will be submitted to the CWCB. We believe that this approach can be replicated in other areas of the State.

f. The proposed project/program addresses key water needs identified in SWSI 2010 or as identified in a basin's needs assessment.

SWSI 2010 Key Findings and Recommendations identified significant pressures on irrigated agriculture in the State and forecast that as much as 700,000 acres of irrigated land could be dried up if the status quo continues. The South Platte Basin Implementation Plan clearly states a desire to minimize traditional agricultural "buy and dry" and maximize the use of alternative water transfer methods (ATMs) to the extent practical and reliable. Further, Chapter 6.4 of the draft Colorado Water Plan stated a goal of achieving water sharing of 50,000 acre feet annually. This project seeks to implement up

to two projects which will actually contribute to meeting these goals.

g. The proposed project/program advances the preservation of high value agricultural lands. Value can be viewed as: the value of crops produced, the value the agriculture provides to the local community, and the value the agricultural area provides for open space and wildlife habitat.

The LCOLP is prepared to purchase up to two irrigated farms and develop pilot ATM projects with participating M&I water providers. When determining which farms to acquire for this pilot, we will use criteria established by the LCOLP Agricultural Advisory Board along with additional criteria to be developed by staff and the consultant team to ensure the candidate farms will be suitable for an ATM project (e.g. seniority, ability to delivery water to water provider, onsite recharge/augmentation capability, etc.). Farm characteristics such as value of agricultural products, soil types, community buffers, historical significance and other factors will be part of the selection process.

h. The proposed project/program addresses water quality, or provides other environmental benefits to rivers, streams and wetlands.

Until specific parcels are identified, we will not know what environmental attributes can be protected, restored and/or enhanced. LCOLP is tasked with preserving lands for a variety of reasons including environmental protection. By owning the land either in fee or holding a conservation easement on the parcel, LCOLP will have the ability to ensure that best management practices are used to ensure the protection of land and water resources.

In addition, it is possible that LCOLP will seek to establish a wetland recharge facility on the parcels. This would serve several important functions: wetland habitat, water quality improvements and the creation of augmentation credits to help satisfy return flow obligations.

i. The proposed project/program increases our understanding of and quantifies program/project costs. This could include: institutional, legal, technical costs, and third party impacts.

Yes, these pilot projects will provide extremely valuable information on program/project costs including the legal and technical costs as well as third party impacts. As further

described in the Statement of Work, there will be an economic analysis to determine the options for compensation to the farmer and/or continued farming with less water during the years the municipal water provider uses the water.

j. The proposed project/program does not adversely affect access to other sources of water (not subject to/participating in the program) where owners of these water rights may wish to pursue traditional transfer of their rights to other users.

These pilot projects will utilize existing processes including water court, the State Engineer's Office Substitute Water Supply Plans and/or Northern Water's policies and procedures for transfers. All of these incorporate protections to other water right holders to ensure no injury.

k. The proposed project/program provides a perpetual water supply for the new and/or alternate use and preserves agricultural production and/or helps sustain the area's economy from which the transfer is occurring.

LCOLP will develop up to two pilot projects that will provide an M&I water provider a perpetual, interruptible water supply. This will be accomplished through a contractual agreement between LCOLP or landowner and an M&I water provider where a portion of the water rights (i.e. dry year supplies) will be available to the M&I water provider and a portion available for irrigation of the farm. This ownership will be established through a negotiated contract between LCOLP and the M&I water provider. The farm parcels will also be preserved in perpetuity via a conservation easement or fee title ownership by Larimer County and the water rights will be perpetually available to the farm, ensured by the water contract.

l. The quantity of water produced by the proposed project/program. Preference will be given to programs that can address larger water supply needs.

This program will conduct up to two pilot projects. While specific farms are not identified, it is likely the acreage of each farm will be approximately 200 acres. Combined, it the projects could possibly yield a total of 500 acre-feet annually.

If this project is successful and proves to be a model that Larimer County would like to pursue to leverage its dollars, the amount of water could be in the several thousand acre feet range in a period of a few years.

m. Applicants are encouraged to develop projects demonstrating participation and/or support from a diverse set of stakeholders and interests.

LCOLP has support from numerous stakeholders and interests. Letters of support are forthcoming for inclusion in the CWCB board materials.

6. Statement of Work

Provide the proposed statement of work. On the following page there is an example format for the statement of work. You can use the example format or your own format, provided that comparable information is included. The statement of work should outline by task how the proposed program/project will be accomplished. It is important that the statement of work detail the specific steps, activities/procedures that will be followed to accomplish each individual task and the overall program/project and the specific products/deliverables that will be accomplished. The statement of work must include but not be limited to: task description, key personnel, budget, schedule and deliverables and the final report/project documentation upon completion of the water activity.

The statement of work will form the basis for the contract between the Applicant and the State of Colorado. In short, the Applicant is agreeing to undertake the work for the compensation outlined in the statement of work and budget, and in return, the State of Colorado is receiving the deliverables/products specified. Please note that costs incurred prior to execution of a contract or purchase order are not subject to reimbursement.

Please provide a detailed statement of work using the following template. Additional sections or modifications may be included as necessary. Please define all acronyms. If a grant is awarded an independent statement of work document will be required with correct page numbers.

(Please see attached Statement of Work)

REPORTING AND FINAL DELIVERABLE

Reporting: The applicant shall provide the CWCB a progress report every 6 months, beginning from the date of the executed contract. The progress report shall describe the completion or partial completion of the tasks identified in the statement of work including a description of any major issues that have occurred and any corrective action taken to address these issues.

Final Deliverable: At completion of the project, the applicant shall provide the CWCB a final report that summarizes the project and documents how the project was completed. This report may contain photographs, summaries of meetings and engineering reports/designs.

BUDGET

Provide a detailed budget by task including number of hours and rates for labor and unit costs for other direct costs (i.e. mileage, $/unit of material for construction, etc.). A detailed and perfectly balanced budget that shows all costs is required for the State's contracting and purchase order processes. Sample budget tables are provided below. Please note that these budget tables are examples and will need to be adapted to fit each individual application. Tasks should correspond to the tasks described above.

	Project Manager	**Engineer**	**Attorney**	**Economist**	**Farm Consultant-Agronomist**	**Administrative Staff**	**Total Hours By Task**
Hourly Rate	$150	$175	$285	$225	$125	$75	
Task 1--Farm Viability Analysis	35	22	0	37	20	10	124
Task 2-- M&I Water Provider Financial Considerations	20	17	0	34	0	10	81
Task 3--Water Supply Contract Terms	60	60	40	60	5	15	240
Task 4--Farm and Water Operations Plan	50	80	0	28	35	10	203
Task 5--Larimer County Financial Considerations	15	0	0	34	0	5	54
Task 6 --Water change process	40	90	0	0	0	10	140
Task 7--Implementation Plan	50	83	0	0	25	10	168
Task 8--Final Report	70	33	0	13	5	30	151
Total Hours	340	385	40	206	90	100	1161
Sub-total	**$51,000**	**$67,375**	**$11,400**	**$46,350**	**$11,250**	**$7,500**	**$194,875**
Direct Costs							
Travel							$2,500
Copies							$300
Total Costs							**$197,675**

SCHEDULE

Provide a project schedule including key milestones for each task and the completion dates or time period from the Notice to Proceed (NTP). This dating method allows flexibility in the event of potential delays from the procurement process. Sample schedules are provided below. Please note that these schedules are examples and will need to be adapted to fit each individual application.

Task	Start Date	Finish Date
Task 1--Farm Viability Analysis	Upon NTP	NTP + 12 months
Task 2-- M&I Water Provider Financial Considerations	Upon NTP	NTP + 18 months
Task 3--Water Supply Contract Terms	Upon NTP	NTP + 24 months
Task 4--Farm and Water Operations Plan	Upon NTP	NTP + 30 months
Task 5--Larimer County Financial Considerations	Upon NTP	NTP + 30 months
Task 6 --Water change process	NTP + 60 days	NTP + 30 months
Task 7--Implementation Plan	NTP + 60 days	NTP + 60 months
Task 8--Final Report	NTP + 60 days	NTP + 60 months
*****Due to the uncertainty of the timing of purchasing properties, the project schedule is extended to the State's 5 year limit for contracts.**		
The objective/goal is to acquire the properties and implement the ATM project soon after NTP is received.		

PAYMENT

Payment will be made based on actual expenditures and invoicing by the applicant. Invoices from any other entity (i.e. subcontractors) cannot be processed by the State. The request for payment must include a description of the work accomplished by major task, and estimate of the percent completion for individual tasks and the entire water activity in relation to the percentage of budget spent, identification of any major issues and proposed or implemented corrective actions. The last 5 percent of the entire water activity budget will be withheld until final project/water activity documentation is completed. All products, data and information developed as a result of this grant must be provided to the CWCB in hard copy and electronic format as part of the project documentation. This information will in turn be made widely available to the public and help promote the development of alternative agricultural transfer methods.

Additional Information – If you would like to add any additional pertinent information please feel free to do so here.

The above statements are true to the best of my knowledge:

Signature of Applicant: 

Print Applicant's Name: Kerri Rollins

Return this application to:

Mr. Craig Godbout
Colorado Water Conservation Board
Water Supply Planning Section
1313 Sherman St., Room 721
Denver, CO 80203
craig.godbout@state.co.us

Larimer County Open Lands

Larimer County Open Space ATM Pilot Project

Statement of Work

EXHIBIT A

August 2015

Larimer County Open Lands Program's (LCOLP) mission is to preserve and protect significant open space, natural areas, wildlife habitat, and develop parks and trails for present and future generations, and is funded through a ¼-cent sales and use tax. Since its inception in 1996, the LCOLP has conserved over 25,000 acres in fee and over 8,000 acres in conservation easement. Of that, less than 1,000 acres are irrigated farmland. Through a recent Open Lands Master Plan update (2015), citizen feedback indicated a strong demand for the conservation of more working farmland and the water that is vital to its productivity. With the high price of farm land due to development potential and valuable water rights, the Open Lands Program is now pursuing innovative means to leverage their funds and maximize their impact. By partnering with municipal and industrial water providers (M&I providers), the Open Lands Program seeks to protect significantly more working farmland acreage with their limited dollars.

Larimer County Open Lands is requesting CWCB ATM grant funds for the implementation of two or more alternative water transfer methods (ATMs) demonstrating the concept of coupling an interruptible water supply agreement with the preservation of farm land using fee title acquisition and/or conservation easements. The applicant, Larimer County Open Lands, will lead the effort to prove the concept of implementing a permanent ATM water supply for an M&I provider located within the South Platte River basin.

An additional goal of this project is to provide an example or case study for those wanting to replicate this approach (recognizing that each farm has unique attributes, including its water rights). To deliver on this goal, the applicant will provide a report describing the financial, legal and technical considerations along with the lessons learned through this proof-of-concept project. This will describe the approach and criteria used for selecting a candidate farm, the pre-purchase due diligence, negotiations with an M&I provider, development of an interruptible water supply agreement, land preservation options, development of a farm and water management program (since Larimer County Open Lands currently owns very few water rights), water right court and/or administrative processes and the financial analyses, tools and agreements.

This project seeks to demonstrate ATM-based water transfers on farms with two general categories of water rights: (1) a farm with primarily C-BT water and some native water rights and (2) a farm with primarily native water rights. Each of these farm types have advantages and disadvantages which are briefly described below.

1. **Farm with C-BT and native water rights:** The clear advantage of using a farm with C-BT water is that the water can be transferred with minimal transaction costs since a water court process is not necessary to add additional users or modify the location and timing of use. The disadvantage of

using a farm with C-BT water is the cost of the water. Recent sales of C-BT units suggest that costs could be approximately $30,000 per unit. The high price of C-BT water is primarily due to the advantage of avoiding water court and the associated high costs of engineering and legal fees.

2. **Farm with native water rights:** The purpose of having a pilot project with primarily native/ditch water rights is to demonstrate a water sharing project where a water right is changed via water court to add an M&I water provider as an additional user and to authorize additional types of beneficial use. While the purchase price of this type of farm should theoretically be lower than one with C-BT water, the savings may be offset by water court as there are significant legal and engineering costs associated with adding the municipal user. The water court process can take a significant amount of time as well. Typical water rights change cases can costs between $100,000 to $400,000 depending on their complexity and the number of objectors in the case. To minimize the water court costs for this demonstration project, the applicant will seek to develop a project with minimal complexity and will partner with an M&I provider located in close proximity to the subject farm to minimize opposition to the change of water right application in the water court. *It should be noted that all legal costs associated with the water court proceedings will be borne by the parties of the water agreement and not CWCB grant funds.*

Currently, there are very few good examples of ATM-based water transfers between farmers, local government open space programs and/or M&I providers. One of the likely reasons M&I providers have been reluctant to embrace ATMs is that they desire to obtain and own permanent water supplies as opposed to leased supply (short or long term) since they would need to find additional supply if leases are not renewed. This project addresses this permanency issue and will provide an interruptible water supply in perpetuity. While each deal will be tailored to the owner of the farm and the M&I provider, it is possible for the M&I provider to hold ownership to their portion of the water rights.

The applicant proposes to undertake the tasks listed below:

Task 1: Farm viability (Establish criteria for selecting properties for preservation and an interruptible supply agreement)

The purpose of this task is to provide objective guidance for selecting farms that will be the subject of the pilot program. The factors include, but are not limited to, LCOLP's priorities, costs, location and water rights. Below are some of the considerations that will be used when selecting a property to acquire and/or preserve.

Open space/farm attributes—Use existing Open Lands selection criteria to evaluate a potential property's attributes. Various factors are included such as aesthetics or scenic qualities, community buffers, agricultural productivity, soil types, connections with other agricultural and/or conserved properties, environmental attributes, recreational amenities, historical significance, geological interests, paleontological importance and threats from development.

Water rights—Develop selection criteria to determine the suitability of a farm's water rights for an ATM project. Criteria may include a water right's priority, reliability, ditch by-laws (ability to transfer water outside of the ditch system), infrastructure (e.g. well, sprinklers, head gates), groundwater levels and opportunities for on-site augmentation (i.e. wetland recharge project).

Water delivery considerations—Determine the practicality of delivering the farm's water to a participating M&I water provider. Considerations will include but are not limited to exchange potential, infrastructure (e.g. pipelines, storage, etc.) and location of raw water facilities.

Financial considerations—Develop selection criteria to determine if the investment in a particular farm is financially viable and sound. For the alternative transfer mechanism to be successful, the farm must be capable of supporting itself over the long term. The project team will evaluate the farm's operational and financial viability from on-going agricultural activities. Cash flow and debt capacity will be key elements, as will asset valuation.

Task 2: M&I water provider financial considerations

LCOLP has discussed this concept with several M&I water providers in Northern Colorado and have received high levels of interest in participating. The purpose of this task is to determine which water provider would be appropriate and willing to participate in an ATM pilot program given the variety of potential water rights characteristics, farms and the M&I water provider's system and needs (including such factors as water delivery considerations, future water needs, C-BT caps, water quality and treatment considerations and ability to pay). Financial implications of alternative future supplies will need to be ascertained.

Task 3: Water supply contract terms

The purpose of this task is to work with the parties to develop a mutually acceptable water supply agreement or contract between the owner of the land and the M&I water provider. In this task, LCOLP and the consultant team will negotiate with the participating M&I water provider to determine the specific terms of the water supply contract. All disciplines will offer their expertise to help bring this contract to fruition. This will include:

- Determine the trigger that implements the interruptible supply (i.e. 3 out of 10 years, snowpack conditions, water supply conditions, timing)
- Agreement on each party's costs (e.g. purchase price of water, water court costs)
- Delivery of water to the M&I provider
- Determination of (potential) payment to farmer or landowner during fallowing years, including weed control
- Water accounting responsibilities
- Other responsibilities assumed by the parties

Task 4: Farm and water operation plan

The purpose of this task is to develop a farm and water management plan for each pilot project that allows for acceptable agricultural revenues in all years, whether from crop production or from revenues generated from the sale of water to the M&I water provider. The plan may call for a combination of dry year crops and some level of compensation. The farm/water management plan will be tailored to each pilot project as each parcel and its associated water rights will have differences that prevent a one-size-

fits-all approach. The farm and water operation plan will bring in the expertise of the agronomist/farm consultant, a Natural Resources Conservation Service (NRCS) representative, an economist, the farmer(s), and water engineer, to ensure that all aspects of the farming operation are considered in its development.

Task 5: Larimer County financial considerations (analysis of suitable land protection mechanisms)
The purpose of this task is to consider the most appropriate land protection mechanism to be employed (e.g. conservation easement, fee title acquisition) and farm lease agreements. An economic analysis will be conducted to determine what ownership or contractual structure makes the most sense in light of Larimer County's financial investment, farm ownership and farm management of the farm. The appropriate mechanism may also be informed by the landowners' intentions for remaining involved on the property going forward.

Task 6: Change water rights to include an M&I water provider
Based on the type of water right and the needs of the parties, the water right will be changed to add the M&I water provider and change the potential use of the water. As indicated in the introduction, LCOLP intends to demonstrate ATM-based transfers on two types of irrigated farms, one with primarily C-BT water and another with primarily native/ditch water rights. For the farm with C-BT water, we will work closely with Northern Water to ensure that all policies and procedures are followed for sharing ownership of C-BT units. For the farm with native/ditch water, we will apply for a change of water right in water court to add the participating M&I water provider. It is possible that these pilots may also utilize the Substitute Water Supply Plan statute or the CWCB's HB 13-1248 process. As we proceed through this task, many novel issues are expected to arise which will be documented and described in our final report to the CWCB.

It should be noted that all engineering and legal costs directly related to the water court application will be borne by the parties of the water agreement and not CWCB grant funds.

Task 7: Implementation plan (Water rights administrative issues, water supply agreement and farm management implementation)
The purpose of this task is to ensure the SEO, the Division Engineer and all other water users that the water is being used as specified in the water use agreement and water right decree(s). To accomplish this task, we may utilize measurement devices to verify water use, return flow obligations, and ensure that the agreement is being implemented as agreed upon. The project team will follow up with the farmer(s) to ensure that the farm management plan is viable and work to make any adjustments as necessary and document this in the final report.

Task 8: Final report to the CWCB

The purpose of this task is to compose a final report to the CWCB describing the implementation of up to two ATM demonstration projects, including any legal, political, financial, or other obstacles that we encounter along the way, lessons learned, and also templates for agreements and road maps that other communities or conservation organizations could use to implement ATMs and accomplish irrigated farmland conservation with limited funding.

Deliverables: Up to two ATM demonstration projects, final report

Schedule: Up to 5 years

Utilities
electric · stormwater · wastewater · water
700 Wood Street
PO Box 580
Fort Collins, CO 80522

970.221.6700
970.221.6619 – fax
970.224.6003 – TDD
utilities@fcgov.com
fcgov.com/utilities

August 31, 2015

Mr. Craig Godbout
Colorado Water Conservation Board
1313 Sherman Street, Suite 721
Denver, CO 80203

Dear Mr. Godbout,

The City of Fort Collins Utilities (Utilities) would like to express interest in participating in the Larimer County Open Lands Program's Open Space ATM Pilot Project. Specifically, Utilities would be interested in exploring firm, dry-year water supplies that are perpetual in nature and believe this project has the potential to deliver this type of valuable water.

As a growing community in Northern Colorado, we expect to have a continued need for safe, reliable water supplies for the foreseeable future. The concept of entering into a water sharing agreement between Larimer County and a community such as Fort Collins may be attractive as this could provide critical dry-year water without the need to dry up an irrigated farm. As described in its Water Supply and Demand Management Policy, Fort Collins and its citizens value the benefits of irrigated agricultural within Northern Colorado, including its contributions to the economy, open space and lifestyle.

We realize that Larimer County is seeking funding from the Colorado Water Conservation Board to help fund a couple of pilot projects of this nature. With the growth expected in Northern Colorado, we urge the funding of their project as this concept has the potential to help communities obtain critical water supplies while preserving our irrigated lands in the region.

It is understood that one of the purposes of this project is to develop a water sharing agreement between Larimer County and a water provider such as Fort Collins Utilities. This letter is to express our interest in participating in such an agreement and provide our support of the overall concept. However, Utilities would need to know significantly more about the terms and conditions of such an agreement to further weigh the viability of the concept. Thus, this letter of support should not be construed as binding in any way.

Sincerely,

Donnie Dustin, P.E.
Water Resources Manager, City of Fort Collins Utilities

Little Thompson Water District

District Manager:
James C Hibbard
835 E Hwy 56
Berthoud, CO 80513

P 970.532.2096
F 970.532-3734
www.LTWD.org

August 31, 2015

Mr. Craig Godbout
Colorado Water Conservation Board
1313 Sherman Street, Suite 721
Denver, CO 80203

Dear Mr. Godbout,

The Little Thompson Water District would like to express interest in participating in Larimer County Open Lands Program's Open Space ATM Pilot Project. Specifically, we are interested in obtaining dry-year water supplies that are perpetual in nature and we believe this project has the potential to deliver this type of valuable water.

We serve a growing community in Northern Colorado, and we will have a continued need for reliable water supplies. We are interested in both CB-T and native water within our District. Larimer County's proposed project could meet these needs. The concept of entering into a water sharing agreement between Larimer County and our District is attractive as this could provide critical dry-year water without the need to dry up an irrigated farm in our region. It could also provide us the opportunity to obtain the more expensive CB-T water.

We realize that Larimer County is seeking funding from the Colorado Water Conservation Board to help fund a pilot project of this nature. With the rapid growth of Northern Colorado, we urge the funding of their project as this concept has the potential to help us obtain additional water supplies while preserving the scenic, irrigated lands in the region – a value we all share.

We also understand that one of the purposes of this project is to develop a water sharing agreement between Larimer County and a water provider such as the Little Thompson Water District. This letter is to express our interest in participation in such an agreement and our support of the overall concept but should not be construed as binding in any way.

Sincerely,

Jim Hibbard, District Manager
Little Thompson Water District

August 20, 2015

Mr. Craig Godbout
Colorado Water Conservation Board
1313 Sherman Street, Suite 721
Denver, CO 80203

Dear Mr. Godbout,

The **Town of Milliken** would like to express interest the participation in Larimer County Open Lands Program's Open Space ATM Pilot Project. Specifically, we are interested in obtaining firm, dry-year water that is perpetual in nature and we believe this project has the potential to deliver this type of valuable water.

As a growing community in Northern Colorado, we expect to have a continued need for safe, reliable water supplies for the foreseeable future. The concept of entering into a water sharing agreement between Larimer County and a community such as **Milliken** is attractive as this will provide us critical dry-year water without the need to dry up an irrigated farm in our region. **Milliken** and its citizens value the benefits of irrigated agricultural within Northern Colorado including its contributions to the economy, open space and lifestyle.

We realize that Larimer County is seeking funding from the Colorado Water Conservation Board to help fund a couple of pilot projects of this nature. With the rapidly growth of Northern Colorado, we urge the funding of their project as this concept has the potential to help communities like **Milliken** obtain critical water supplies while preserving our irrigated lands in the region.

We also understand that one of the purposes of this project is to develop a water sharing agreement between Larimer County and a water provider such as **Milliken**. This letter is to express our interest in participation in such an agreement and our support of the overall concept but should not be construed as binding in any way.

Sincerely,

Kent Brown
Town Administrator