

Town of South Fork Water Enterprise Feasibility Study for the Purchase of Water Rights Municipal Water System – Westerly Phase

Sponsored by the

**Town of South Fork
Water Enterprise**

Prepared by:

**Dan Hicks, Town Administrator
0100 Silver Thread Lane
South Fork, CO 81154
and**

**John Allen Davey, P.E.
Davis Engineering Service, Inc.
P.O. Box 1840
Alamosa, Colorado 81101**

FEASIBILITY STUDY APPROVAL
Pursuant to Colorado Revised Statutes 37-60-121 & 122, and
in accordance with policies adopted by the Board, the
CWCB staff has determined this Feasibility Study meets all
applicable requirements for approval.

Signed

John A. Davey
John A. Davey, P.E.
Registered Engineer
Colorado Certificate No. 13348



November 27, 2019

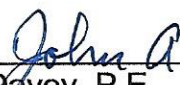
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November 27, 2019

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I. PROJECT PURPOSE

The information presented in this feasibility study is provided to support the application to CWCB for a loan to purchase the required acre feet of augmented water rights from the San Luis Valley Water Conservancy District in support of the first phase, also known as The Westerly Water System, of the South Fork Municipal Water System.

II. SPONSOR AND BACKGROUND

SPONSOR: The applicant and sponsor is the Town of South Fork, the municipal government in South Fork, Colorado. The Town of South Fork was formed in 1992 and in 2008 the Town formed the South Water Enterprise as the local municipal water authority to manage and administrate the water utility within the South Fork town limits. The business address for the Town of South Fork is 0100 Silver Thread Lane, PO Box 369, South Fork, CO 81154; Contact is Dan Hicks, Town Administrator; email townadministrator@southfork.org; Telephone number 719-873-0152.

BACKGROUND: The town of South Fork was begun in 1890, however, the Town was not incorporated until 1992. As such, most of the water service provided to residential and commercial development within Town limits are provided by small privately owned water systems that were formed before the Town was incorporated. The water supplies for these water systems are derived entirely from wells. Water supply for some lot owners are also derived from individual wells.

WATER CONSUMPTIVE USE AND NEED TO REPLACE DEPLETIONS: South Fork is located within the jurisdiction of Colorado Department of Natural Resources, State Water Engineer, for Division 3, which manages all water well permits for the Rio Grande Basin. Many water well permit appropriations within the Rio Grande Basin withdraw groundwater near rivers and streams. These well withdrawals cause depletions to rivers and streams from which senior water right holders obtain their water supplies. These depletions result from the consumptive use of water withdrawn from the wells.

The “consumptive use” of water is a term used to describe that portion of water use that is consumed and not returned to the hydrologic system after use. In the case of South Fork, the primary concern is the consumptive use of well water used within households and many businesses results primarily from transpiration from the human body surfaces, indoor and outdoor plants and water evaporation from washing. The balance of the water used in households returns to the hydrologic system through the sewer. On a Rio Grande Basin scale, other significant well water uses that cause depletions are crop irrigation and other commercial uses that are not typical in South Fork.

As a result of well depletion the Division 3 Water Engineer in 2015 submitted new Well Rules through the Division 3 Water Court system. The Well Rules were approved by Water Court decree on March 15, 2019 and require all non-exempt wells to replace their usage depletions to the Rio Grande Basin rivers through owning augmented water rights and following a formal water augmentation plan. Water Wells not in compliance of the Well Rules after March 15, 2021 will be curtailed by the Water Engineer. A water augmentation plan is the process where the historical consumptive use of a water right is discontinued and that consumptive use is

purchased by a well owner (s) and is delivered to the river or stream in a quantity and at a time that replaces depletions caused by the well owner.

Several of the private water systems in South Fork do not have augmented water rights and therefore do not comply with the Well Rules. Most of the impacted private water system owners are poorly capitalized and cannot afford to purchase the augmented water rights. Without an alternative solution to these water related issues, wells servicing many areas in South Fork will be shut down by the State on or before March 2021. The result would be substantial health risk to the water users resulting in severe damage to property values.

SOLUTION TO PROBLEM: In anticipation of this problem the Town of South Fork began working to implement a municipal water system to provide water service in place of the private systems. The Town began requiring all new developments / developers after 2006 to obtain adequate augmented water rights and implement modern standards such as fire hydrants. The Town formed a Water Enterprise in 2008. The Town hired Davis Engineering Services to prepare a Preliminary Engineering Report for a water system master plan in 2010. This plan was updated in 2013 and 2018.

In July 2018 the Town applied to with CDPHE and the State Drinking Water Revolving Fund for Municipal Water System funding and received a \$10,000 grant to prepare a Preliminary Needs Assessment. The PNA was submitted in October 2018 and in December 2018, the Town was advised that to proceed with the DWRF application, the Town must first be in the “water business”. To comply, during the first 3 months of 2019, the Town acquired five (5) private water systems servicing 119 customers. The Town re-initiated the DWRF application and were awarded a \$300,000 Design and Engineering Grant (forgiveness loan) to create the design for the first phase of the municipal system. The Town hired Davis Engineering Services, Inc. (DES) to complete the D&E. Design is progressing and is scheduled to be completed on December 5, 2019.

The Town established three (3) Ordinances during 2019 in support of the municipal water system. Two ordinances; 2019 – 02 and 2019 – 03, established all of the rules and requirements for the current and future users on municipal water system and the declared service areas. The third ordinance, 2019 - 01 established the water augmentations standards for all wells within Town limits. These standards are based on several water court decrees and created with the assistance and approval of Water Division 3. Water Division 3 has committed to enforce the augmentation standards within Town limits when administrating well permits. A copy of Ordinance 2019 – 01 with standards are included as Appendix A.

The Town will implement the municipal water system in two phases; Westerly phase and later the Easterly phase. See map labelled Appendix B.

III. **WATER DEMANDS AND WATER RIGHTS**

The design engineer, DES, in compliance with the Town augmentation ordinance and State Water Engineer Well Rules determined that the quantity of augmented water rights to support the first phase (aka Westerly phase) of the municipal water system is 22 acre feet of augmented water - see table below. The calculation of 22 acre feet includes obtaining all augmentation required to support the existing water systems that the Town acquired in early 2019 that are not augmented; Dakota Park, Ponderosa Plaza, Riverside Estates and the requirement to support the additional users being added from Ponderosa Estates in the Westerly phase.

Westerly Water System Estimated Water Augmentation Needs

A	B	C	D	E	F	G
Water Systems*	Dakota Park	Ponderosa Plaza	Ponderosa Estates	Totals	Aug. Water Req. ac-ft/Unit	Total Aug. Water Req. Col E x Col F
Units	#'s of units	#'s of units	#'s of units	#'s of units	ac-ft/yr/Unit	ac-ft/yr
Lot Types						
Residential w/home	27	0	197	224	0.0863	19.3312
Residential w/small home	19	0	0	19	0.0505	0.9595
Res vacant lot	4	0	0	4	0.0863	0.3452
Commercial w/building	0	3	0	3	0.0347	0.1041
Commercial vacant lot	0	5	0	5	0.0347	0.1735
Developer Lots						
Residential developer single lot	15	0	0	15	0.0863	1.2945
Residential developer multi-use lots	15	0	0	15	0.0295	0.4425
Total Augmentation water required						22.6505
* Vista del Rio has adequate Augmentation water so it is not included in these calculations.						

IV. ANALYSIS OF ALTERNATIVES

There are four alternatives or options available to the Town of South Fork Water Enterprise to meet the augmentations requirements for its municipal water system:

- A. Purchase augmentation water rights from San Luis Valley Water Conservancy District (hereafter called the SLVWCD);

The SLVWCD presently has five separately decreed plans for augmentation, including rights of exchange to Rio Grande Reservoir, Santa Maria Reservoir, and Continental Reservoir: Case No. 84CW16, *Judgment and Decree* entered September 6, 1985; Case No. 94CW62, *Judgment and Decree* entered January 7, 1999; Case No. 03CW41, *Judgment and Decree* entered August 1, 2005; Case No. 05CW13, *Judgment and Decree* entered November 8, 2007; and Case No. 07CW63, *Judgment and Decree* entered December 3, 2008. The SLVWCD has a pending application and proposed decree in Case No. 14CW3011. These Decrees provide the SLVWCD with senior and junior native priorities, as well as transmountain water rights which divert from Water Division No. 7 and deliver the water to Rio Grande Reservoir for storage and augmentation use within the Rio Grande Basin. These water rights and the right to store that water either directly or, for native water rights, by exchange are incorporated into the SLVWCD's Augmentation Program to provide the SLVWCD with a secure water supply that can withstand periods of drought.

The SLVWCD operates and manages its augmentation plans through its Augmentation Program Enterprise to provide augmentation water to structures that participate in the Program, including wells, other diversion structures, storage ponds, and other structures located within the SLVWCD's boundaries.

B. Purchase augmented water rights from another entity

The Town has inquired throughout the San Luis Valley for information regarding other organizations or entities that may have decreed water rights in quantities required and available for purchase and have not been able to find any.

C. Find seller of surface water rights, purchase the surface water rights, and then take these rights to Water Court to convert the surface rights to augmented well rights.

This option requires that the Town locate a seller of surface water rights (such as irrigation ditch rights). The surface water rights would have to be of the quantity and seniority to meet the requirements. The Town would be required to hire a legal representative and a water engineer that both have adequate water rights expertise and authorize the representative to begin the court process of transitioning surface rights to augmented well rights. The court process is lengthy (up to 6 years). Finding the seller with the sufficient water quantity and seniority is a significant task in itself. Financing the overall process of purchase and processing through the adjudication requirements is not within the Town's ability. The timing requirements deadline of March 15, 2021 per the Rules enforced by State Water Division 3 also does allow for this option.

D. Do nothing

This option would result in the wells servicing the South Fork subdivisions of Dakota Park, Ponderosa Plaza, Riverside Estates, and Ponderosa Estates in being curtailed (shut down) by Water Division 3 on or before March 15 2021.

V. SELECTED ALTERNATIVE

Option A is the selected alternative.

The Town plans to fulfill the requirements for augmentation of its wells by purchasing an augmentation certificate from the District pursuant to which the District will provide augmentation water to replace depletions caused by well pumping within the Town.

VI. WATER RIGHTS APPRAISAL

A formal independent appraisal to establish the comparable cost of SLVWCD augmentation water to other similar augmentation water suppliers has not been obtained. A proposed alternate to hiring an independent appraiser was to search for augmentation water sales from comparable augmentation plans in the vicinity of the SLVWCD.

Although previously stated, to provide easy reference, the purchase price for senior rights of augmented water from SLVWCD's plan is \$20,000 per acre foot. This is a onetime fee. Further, SLVWCD's plan includes reservoir storage that is sufficient to assure delivery of augmentation water during very significant droughts. Details of its plan have been described previously in Section IV.

. As a comparable reference, a plan similar to SLVWCD's was found in the Upper Arkansas Water Conservancy District. A description of their plan is included in Appendix D. After

performing the calculations below to determine their charge per acre foot, their comparable price for an acre foot of augmented water is \$38,500.

Calculation of charge per acre foot:

Charge for one "Base Unit" of augmentation water 0.10 acre-feet is \$3,850

Therefore: charge for 1 acre-foot = 1 af/0.10 af x \$3,850 = \$38,500 per acre-foot

From this comparison of charges per acre foot of augmentation water, it is clear to the purchase price for water from SLVWCD's augmentation plan is very reasonable and further appraisal does not appear to be needed.

If a formal independent appraisal is needed to satisfy CWCB program requirements and if it is requested, the need should be promptly transmitted to the Town.

VII. IMPACT

The municipal water system is being implemented to meet the requirements for water augmentation by Rules established the Department of Natural Resources, Water Engineer Division 3. This effort will prevent the curtailment, on or before 3/15/2021, of wells used to provide water service to several residential subdivisions within the Town of South Fork. If curtailment by DNR of the wells is not avoided the residents serviced by these wells will be in jeopardy of suffering health risks and property owners will suffer financial damage. There are sufficient numbers of properties impacted that the financial damage would affect most property owners in the surrounding South Fork area.

The positive impact of implementing the initial phase and future phases of the municipal system will insure that current and future development in South Fork, both residential and commercial, will be able to continue.

As a mountain area Town, South Fork is located adjacent to national forests and heavily forested areas. In many cases the forest extends into subdivisions within town limits. As recent as 2012, the Town was evacuated due to the danger from forest fire. Included in the design of the municipal system are fire hydrants and sufficient flows to meet fire department standard, which will assist in any fire situation. Once installed, this fire suppression system should also assist in lowering the fire insurance rates for property owners in the service area.

The need for water conservation is a growing concern for all areas in Colorado serviced by a water system. Included in the design of the municipal system is implementation of water meters for each customer. This will allow for implementation of a rate structure that encourages water conservation and fairly charge fees based on individual usage.

VIII. INSTITUTIONAL CONSIDERATIONS

- A. Intergovernmental Agreement between the Town of South Fork and the San Luis Valley Water Conservancy District.

Earlier this year the Town signed an Intergovernmental Agreement with the District (see Exhibit C for a copy of the agreement). The general terms of the agreement are stated in the following paragraphs;

The Town will pay the SLVWCD \$20,000 for each acre-foot of augmentation water included in the Augmentation Certificate. The Town anticipates obtaining funding from the Colorado Water Conservation Board for the acquisition of up to 50 acre-feet (or as specified in the application with CWCB) of augmentation water. The current cost of augmentation water provided by the SLVWCD is \$20,000 per acre-foot. The Town shall have the option to purchase up to 50 acre-feet of augmentation water for a period of three (3) years from the date this Agreement is executed at the current rate of \$20,000 per acre-foot, regardless of whether the SLVWCD increases the price it charges during that time period. Following the expiration of the three (3) year period, the District will consider extending the period an additional two (2) years. In the event the Town does not purchase water within the original three (3) year period or extended two (2) year period, if applicable, it shall pay the SLVWCD the then current or subsequently increased price charged by the SLVWCD to supply and manage augmentation water.

As stated earlier, the requirement specified in this feasibility study is for 22 acre feet of augmentation water. The capability within the IGA for the Town to purchase up to 50 acre feet allows additional water purchases for future phases of the municipal water system should this prove necessary. Any additional amounts of water requirements for the Town will be determined by the Town engineer at the time of design for that particular phase of the municipal system. Should this be the case, a new request for purchase financing will be made to CWCB under a separate application and feasibility study.

B. Purchase of High Mountain water system assets and donation of Jackson Heights system.

The Town of South Fork has entered into an agreement to purchase the assets of a private water system servicing the subdivisions of Rio Vista Estates 1 & 2, Rivers Edge RV Resort, and Mountain Views at Rivers Edge located in the proposed Easterly water system. This water system services about 125 customers and these customers will be included in the base of users paying fees toward the financial support of the new municipal system. This system includes sufficient senior augmented water rights for these users.

The purchase will be paid for out of proceeds from the DWRF loan and will be completed at the time of loan funding, which is estimated to be by the end of June 2020.

The Jackson Heights water system serves approximately 23 residential users.

C. Agreement with DNR Water Engineer, Division 3

At completion of D&E and arranging for financing of the West phase municipal water system, the Town Water Enterprise will submit the plans for system augmentation, including water rights obtained from SLVWCD and the purchase of the Riviera water

system to the Division 3 Engineer. The Division 3 Engineer will be requested to agree that the plans fulfill the requirements of the 2015 Rules.

D. Other Institutions:

Funding of the municipal system will require design approval by CDPHE, DOLA, and DNR. As part of the design submitted to CDPHE, an environmental study must be completed and then approved. Implementation of the municipal system, which includes a pipeline crossing of the Rio Grande River, will require approval of the Army Corps of Engineers. The system implementation will also cross or tunnel underneath US Highway 149 requiring approval by CDOT.

IX. FINANCIAL PLAN

- A. The West phase of the municipal water system is to be funded through a combination of the State DWRF Loan (\$3,000,000) and EAIF Department of Local Affairs grant (\$1,000,000). The State DWRF is not allowed to finance water rights. The associated augmentation water rights purchase from SLVWCD is to be funded by this CWCB loan (\$440,000). Servicing the loans from DWRF and CWCB will be via water user based monthly fees. The customer base of Town municipal water users is estimated to be 400 users.

The DWRF loan application began in July 2018. The application process has advanced to the point that in May 2019 the Town was awarded a Design and Engineering forgiveness loan (grant) for \$300,000 by CDPHE. The D&E is scheduled to be completed and submitted to CDPHE mid December 2019. It is estimated that closing and funding of this loan will be June 2020. The Town has been classified for this loan as an economically distressed community and will receive the lowest possible interest rate, which today would be below 1.5%. The term of the loan will be 30 years.

The EAIF DOLA grant application was made on October 1, 2019. The consideration of this application is in process. It is possible that the grant will be denied in the Oct. 2019 cycle because the D&E for the municipal system has not been completed. If denied, the Town will resubmit the application in the next application cycle, December 1, 2019. Grant award for this cycle is estimated to be Feb. 2020.

At this point the loan from CWCB is assumed to be \$440,000 at the interest rate of 2.5% over 30 years funded after receiving the DWRF loan or approximately in June 2020.

As a reference point for comparison with future rates below is a review of the 2019 and proposed 2020 water rates. The process to establish current water rates for customers on water systems maintained by the Town is to annually budget estimated water system operations and maintenance expenses plus reserve amount for major repairs and divided by the number and type of users. Annual fees are invoiced by May and collected via policy (for 2019 of the 119 customers, there is only 1 delinquent account). Fees for 2019 and budgeted for 2020 are listed below.

User Type	2019 Annual Fee	2020 Budgeted Fee
Residence	\$525	\$600
Small residence	\$425	\$500
Lot - Water availability	\$300	\$350

On the new municipal system, individual water meters will be installed on the new municipal water system allowing annual rate structure to be converted to monthly cycle and individualize the fee structure based on usage. If the above rate schedule derivation is found to be inadequate to satisfy CWCB guidelines and further details concerning unaddressed issues is requested from CWCB staff, a detailed water rate study for the new municipal water system will be initiated.

The calculations below provide an estimate of average user monthly water fee inclusive of the DWRF and CWCB loans, CDPHE and EAIF/DOLA grants, and annual operations / maintenance of the new municipal system. It is estimated that through the implementation of the Westerly phase, and the completed acquisition of existing augmented water systems described in Section IV within the Easterly water system, the number of customers being invoiced will grow from 119 to over 400. All water customers serviced by the Town water systems will be invoiced utilizing one water fee structure for all customers. (In other words, the fee structure is consistently applied to all customers and does not differentiate if the customer is serviced by the new water facilities or by the older water facilities.) The water fee structure will differentiate customers by type. The fee structure will be reviewed and adjusted bi-annually utilizing actual revenue vs cost performance. Each water fee structure established or changed will be approved by the Board of Trustees prior to implementation.

As a comparison to the 2019 and 2020 budgeted water fee rates, below is an average fee charge per customer calculation including the Westerly project loan amounts and anticipated operations / maintenance of the Westerly as well as the customers service by Town older municipal systems. Based on a customer base of 400 users, the average water fee will be \$48.02 per month or annual amount of \$576.24. While the fee may be higher or lower on an individual customer basis, this average estimate indicates that the water fees including the Westerly phase will be comparable to the 2019 and 2020 structure of water fees and rates.

Calculations of Average Monthly Customer Fee

Combined Westerly Phase Project and existing Town Water Systems

Budget	Billable Accts		
\$4,750,000	400		
Total System Financing		Grants	Loans
PNA grant	\$10,000	\$0	
D&E Forgiveness Loan	\$300,000	\$300,000	
EAIF	\$1,000,000	\$1,000,000	
CWCB water rights	\$440,000		\$440,000
CWCB meter package			
DWRF			\$3,010,000
Total Financing		\$1,300,000	\$3,450,000
Loan Cost - 30 yrs	Monthly	Monthly Cost per Account	
DWRF Loan \$3,010,000			
DWRF Int 1.5%			
DWRF Months 360			
DWRF Mortgage Payment	\$10,388	\$25.97	
CWCB Loan \$440,000			
CWCB Int 2.5%			
CWCB Months 360			
CWCB Mortgage Payment	\$1,739	\$4.35	
Subtotal Monthly	\$12,127	\$30.32	
	Annual		
O&M \$85,000	\$7,083.33	\$17.71	
Total	\$19,210	\$48.02	

Fee Calculations in the PER and PNA

The Town engineer, Davis Engineering Services, Inc., will be submitting to CDPHE in December 2019, the Design and Engineering documents for the first (aka Westerly phase) phase of the municipal water system in the form of a Preliminary Engineering Report (PER) and Revised Preliminary Need Assessment (PNA). In the PER and PNA, water fee calculations were included based on a billable customer count of 257. The 257 quantity represents customers that are currently serviced by water systems that do not have augmented water rights and these systems are to be replaced by the first phase of municipal system. To be

consistent with PER practices, the engineer has calculated estimated customer fees on the customer base of 257.

Below is the financial fee calculations from the PER.

Project Budget =	\$4,740,000		Billable Accounts =	257
Sources Total System Financing:	Amount		Portion Grants	Portion Loans
PNA grant	\$10,000		\$10,000	\$0
D&E Forgiveness	\$300,000		\$300,000	\$0
EAIF	\$1,000,000		\$1,000,000	\$0
DWRF	\$3,000,000		\$0	\$3,000,000
CWCB water	\$440,000		\$0	\$440,000
Totals	\$4,750,000		\$1,310,000	\$3,440,000
Loan Amortization:		Monthly Cost	Monthly Cost per Account	
DWRR Loan =	\$3,000,000			
DWRF interest	1.5% per year			
DWRF payment period =	360 Months			
DWRF payment =		-\$10,354	-\$40.29	
CWCB Loan =	\$3,000,000			
CWCB interest	2.5% per year			
CWCB payment period =	360 Months			
CWCB payment =		-\$1,739	-\$6.76	
Monthly payment =		-\$12,092	-\$47.05	
	Annual			
		-		
Addition of O&M	-\$85,000	\$7,083.33	-\$27.56	
Total Costs		-\$19,175	-\$74.61	

B. Financial Impacts

The Town of South Fork Water Enterprise operations is completely funded by user fees. To initiate operation and maintenance of the 5 private systems acquired in 2019, the Town General Fund made a \$10,000 working capital loan to the Water Enterprise Fund. The General Fund also made a separate \$10,000 loan to the Water Enterprise, which was used to make a down payment on the purchase of a 6th private water system named Riviera Estates (discussed in VIII B). The 2020 water rate fees have been adjusted to allow repayment of the loans from the General Fund by mid-year 2020 from proceeds received from 2020 water billings charged to customers.

The \$300,000 grant from CDPHE for design and engineering of the municipal water system is in the form of a CDPHE Forgiveness Loan. The Town has hired Davis Engineering Services, Inc. (DES) to complete the design and engineering of the municipal system. The process terms of this loan are for invoices from DES, representing work performed for design and engineering, to be submitted by the Water Enterprise to CDPHE and reimbursed by CDPHE to the Water Enterprise at a rate of 80%. Prior to the loan being forgiven, the Water Enterprise will borrow the 20% from the General Fund and pay the DES invoice. The CDPHE loan will be forgiven when the Town Water Enterprise completes the agreement for the State DWRF loan (\$3,000,000). At the time the D&E Forgiveness Loan is forgiven, CDPHE will forward the 20% to the Water Enterprise and the General Fund will be paid back.

The Town Board of Trustees have authorized and approved by resolution these borrowings from the General Fund and the Town auditors have concurred with this process.

C. Tabor

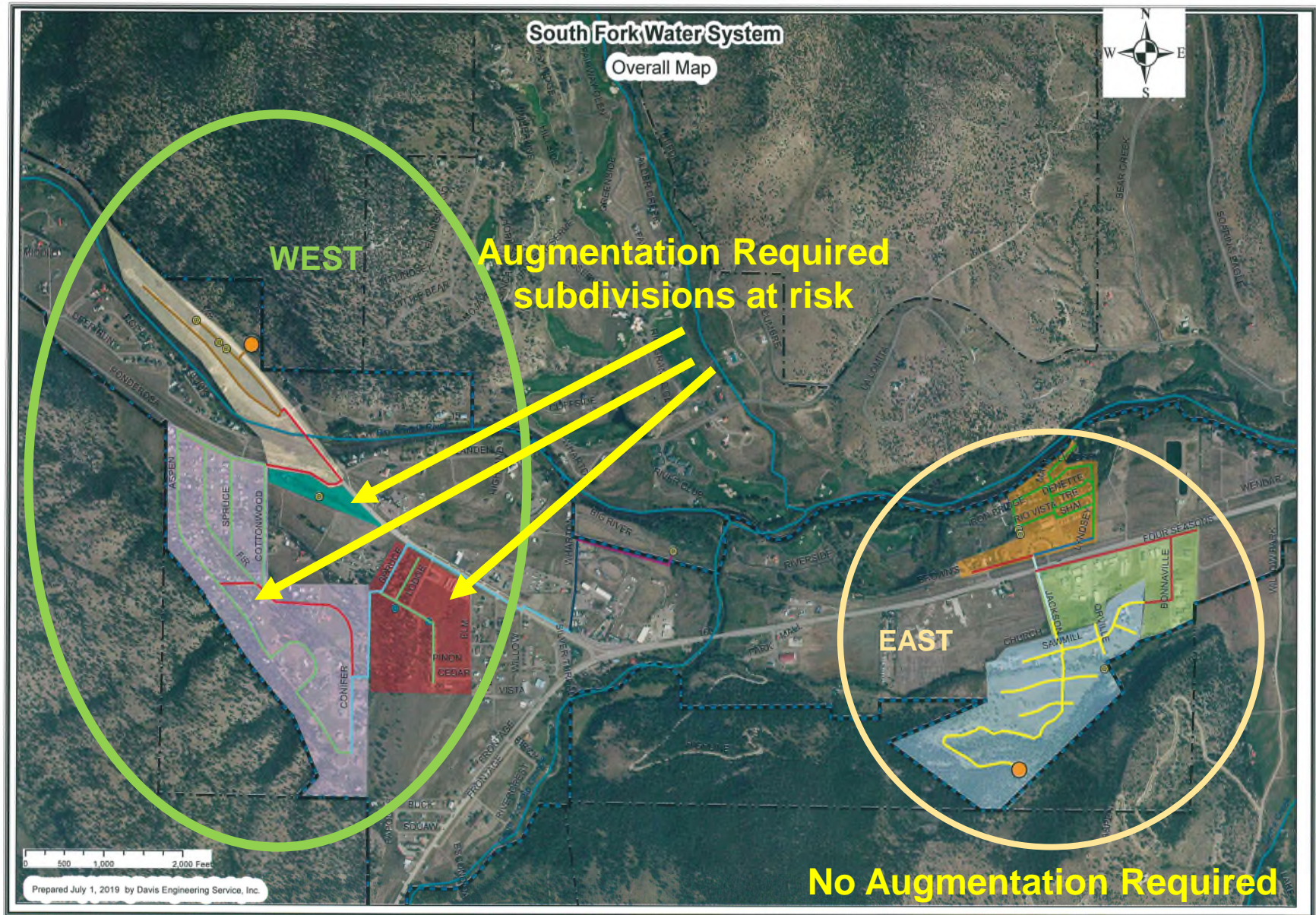
No Tabor issues are expected related to the municipal water system loans or grants.

D. Collateral

The water rights purchased with proceeds from CWCB are to be used as the collateral.

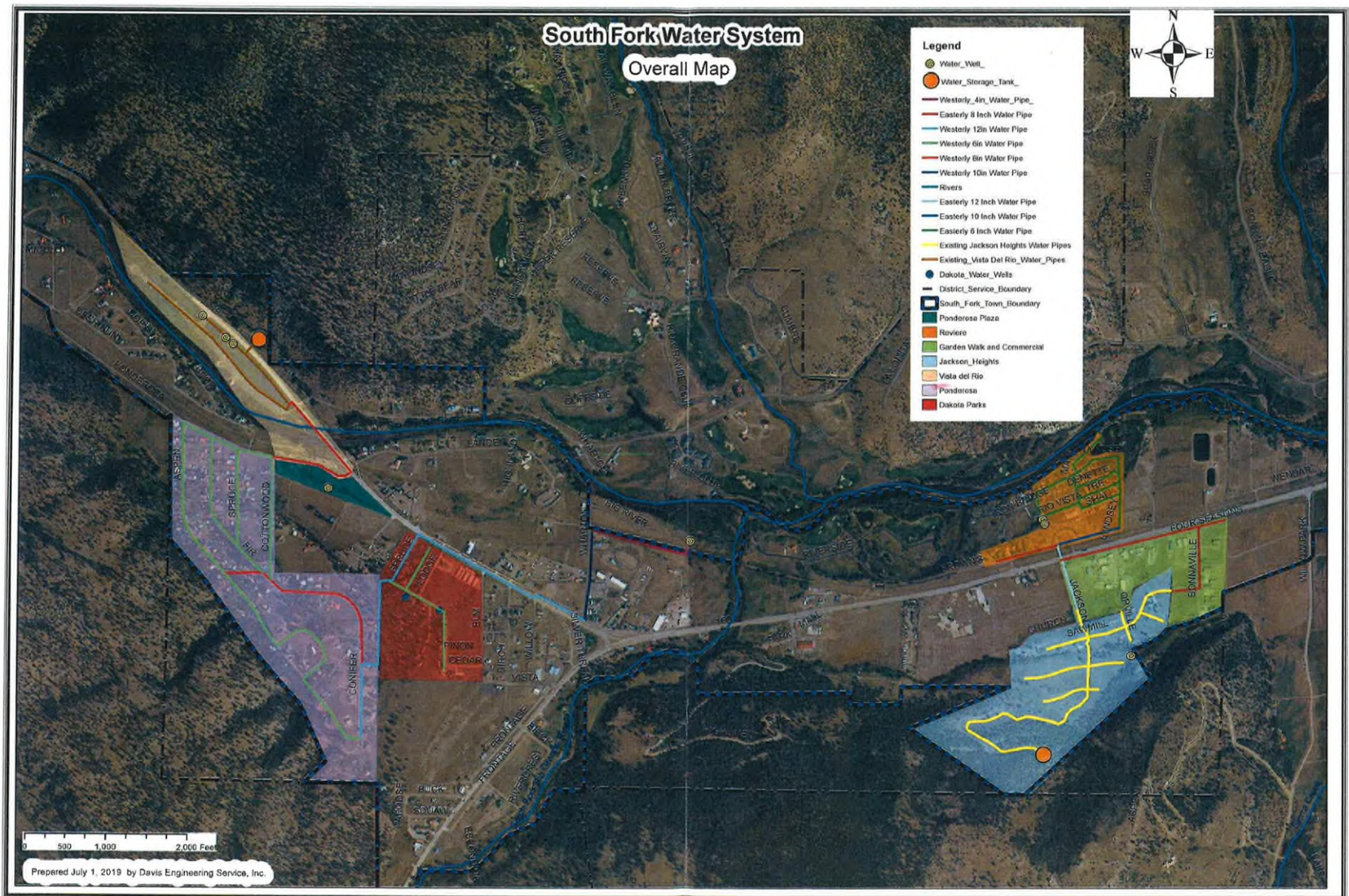
X. **SUMMARY**

This document includes adequate descriptions of project components and financial details to demonstrate that the project is feasible.



12/05/2019

Town of South Fork
Municipal Water System / West and East



12/05/2019

Town of South Fork
Municipal Water System / West and East



DEPARTMENT OF NATURAL RESOURCES

DIVISION OF WATER RESOURCES

Jared Polis
Governor

Dan Gibbs
Executive Director

Kevin Rein, P.E.
State Engineer/Director

Craig Cotten, P.E.
Division Engineer

July 22, 2019

Town of South Fork
Board of Trustees
0100 Silver Thread Ln
South Fork, CO 81154

RE: Letter of Support for the Town of South Fork's Efforts to Ensure Adequate Water Resources for their Constituents.

To Town of South Fork Board of Trustees,

The State Engineer promulgated Rules dated September 23, 2015 for governing the withdrawal of ground water within the Rio Grande Basin (which includes the Town of South Fork) and these Rules were approved on March 15, 2019 by the Colorado Division Three Water Court. As required by the Rules, because there is no subdistrict that will cover the Town of South Fork, all nonexempt wells within this area must be covered by an augmentation plan that provides for a sufficient amount of replacement water to offset the depletions caused by the wells. The wells must also be in compliance with all other aspects of the Rules. Nonexempt wells that do not meet these criteria will be "curtailed" or shut down as per the requirements of the Rules.

The Division Engineer of Water Division 3 of the Colorado Division of Water Resources is in support of the goals of the Town of South Fork Ordinance 2019 – 01, an ordinance to establish standards for water augmentation and to require all water systems and non-exempt wells in the Town of South Fork to have adequate water augmentation coverage. This ordinance will assist in preventing curtailment of wells in South Fork and therefore avoid the potential resulting risks such action would have on water users and property owners.

The Division Engineer of Water Division 3 of the Colorado Division of Water Resources is in support of the Town of South Fork utilizing the Augmentation Standards and Calculations used by the San Luis Valley Water Conservancy District (SLVWCD) (which is referred to as Schedule A of Ordinance 2019 – 01) as the calculation method to determine the quantity of augmentation required for nonexempt wells in South Fork. The standards and calculations defined in Schedule A were created jointly by the SLVWCD and Division 3 of the Division of Water Resources as the method to define the required quantities of augmentation water. The support for utilizing such standards and calculations is contingent upon any further Water Court decree or direction that states that another standard shall be used, or having a new method or standards that are developed that make these current standards obsolete or determined to be incorrect.

Water Division 3 • Alamosa

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www.water.state.co.us

DIVISION OF WATER RESOURCES

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The Division Engineer of Water Division 3 of the Colorado Division of Water Resources does not object to the actions and efforts of the Town of South Fork in acquiring private water systems and creating a municipal water system. This includes the acknowledgement that the Town will use the standards defined in Schedule A to calculate its own augmentation requirements for the wells owned by the Town.

Going forward, and until otherwise directed by the Water Court or found to be obsolete or incorrect, The Division Engineer of Water Division 3 of the Colorado Division of Water Resources will utilize the standards and calculations defined in Schedule A as the basis to calculate or determine the quantities of augmentation water required when approving new well permits for non-exempt wells within Town of South Fork town limits, unless it is clear that the standards and calculations are not appropriate for a given instance. Also, as in other communities with a municipal water system, the current Division of Water Resources' policy is that we will not approve a new exempt well permit in a municipality which has a municipal water system - unless the municipality certifies that it cannot service the customer, or the municipality does not object to the issuance of the new exempt permit.

The Division Engineer of Water Division 3 of the Colorado Division of Water Resources is supportive of the South Fork Town Board in assuring that water users within the Town of South Fork will have adequate water resources to meet their water needs now and into the future.

Sincerely,



Craig W. Cotten, P.E.
Division Engineer
Division 3