

# PAGOSA DAILY POST

## Lots of Water, Lots of Debt, Part One

Bill Hudson | 7/16/08

Earlier this year, the Town of Pagosa Springs began a series of quarterly public meetings to solicit ideas and input on a range of economic development issues. The Town Council invited representatives from other local entities — Archuleta County, Pagosa Area Water and Sanitation District (PAWSD), LPEA, Pagosa Fire District, San Juan Water Conservancy District (SJWCD) — to participate in the forums. The Council also asked the business community to attend and offer its input. *Continued...*



Realtor Mike Heraty addresses the Town Council and representatives of other agencies at Monday's "town hall" meeting.

On Monday, a small crowd attended the third in these series of discussions, held at the Pagosa Springs Community Center. Members of a business community task force were given reserved seats facing the invited government entities, and most of the Town Council showed up to hear the suggestions, questions, complaints and general discussion of Pagosa's current economic health.

Early on in the meeting, the subject of the controversial Dry Gulch Reservoir reared its head. Businessmen Mike Heraty and Steve Van Horn, the first two speakers to step up to the podium, thanked PAWSD for the recent reductions in its Water Resource Fee impact fees on commercial development. The water district shifted from using a "per Equivalent Unit" calculation to a calculation based on water meter size and number of fixtures; the new fee schedule appears to greatly reduce the amount of the fees PAWSD will charge a typical new business starting up in Pagosa Springs.

(For more on those numbers, see [Glenn Walsh's recent Post article.](#))

Van Horn wanted to go a bit deeper into the subject, however — specifically, into the amount of debt that PAWSD is accumulating as it tries to fund over \$150 million in reservoirs, treatment plants and pipeline upgrades connected using its Water Resource Fee — and without, so far, any voter approval.

"It looks like PAWSD has about \$25 million in revenue bonds, that we are going to have to pay back through revenues. Now, with very little revenue coming in — other than our water fees, actually, paid by our water bills — and if the revenue does not come in to take care of that debt, I'd like to know how much our fees are going to have to be increased in order to take care of that debt. What is the worst case scenario, if we have the same

economic conditions going on two years from now?”

Van Horn’s reference to “revenue bonds” highlights an interesting development going on in PAWSD's financial picture. As a quasi-governmental special district, the water district is allowed to borrow money in a couple of ways. One way is via “general obligation bonds” which must be approved by the voters — who, essentially, pledge their taxes to make the payments on the loan.

Another funding mechanism, available to a special district, involves “revenue bonds.”

A revenue bond needs no voter approval, because the special district — PAWSD, in this case — makes a promise to pay the loan back using revenues it expects to collect from its customers. In the case of revenue bonds for the Dry Gulch purchases, PAWSD did not need to ask voter approval, because it was able to justify its loans based on the fees it planned to collect from the rampant growth occurring in Pagosa Springs in 2004 and 2005.

Projecting that growth out for 30 years or so, PAWSD expected its revenues to easily pay for its revenue debt.

Four years ago, voters turned down a general obligation bond proposal to purchase the land in Dry Gulch for a future reservoir. Last year, PAWSD borrowed \$8.6 million to purchase some of the Dry Gulch property it said it needed for a proposed reservoir. It planned to borrow another \$12 million or so — using revenue bonds — to pay back that previous loan and to purchase even more Dry Gulch land.

With \$12 million sunk into the deal, PAWSD would then have about half the land it would need for its reservoir.

As Van Horn was suggesting at Monday’s meeting, the revenues needed to pay back that \$12 million loan were supposed to come mainly from the district’s new Water Resource Fee, a \$7210-per-Equivalent-Unit impact fee levied against “new growth.”

But that projected new growth has, so far, failed to materialize. So far, during 2008, revenues from new growth have been about 10% of what PAWSD budgeted for this year — and less than 2% of what PAWSD projected when it put the Water Resource Fees in place.

“I saw in the newspaper, that it said PAWSD has \$9.1 million in revenue bonds to pay off. But from what I see, looking at your figures, you have closer to \$25 million in revenue bonds. Perhaps you can clarify that later on.”

As it turned out, it proved a bit of a struggle to get a clarification. PAWSD Manager Carrie Weiss stood up to make a short speech near the conclusion of the meeting, and finished without saying anything about revenue debt. As she started to leave the podium, I leaned forward from my seat in the front row and asked if she would address Steve Van Horn’s questions about revenue bonds.

Weiss said that she could not recall that number, but suggested that PAWSD Finance Director Shelley Tressler, “our financial guru,” might be able to share the number.

Tressler stepped up to the podium and started off with some seemingly extraneous comparisons.

“I guess I would address that concern in two ways. The amount of debt that General Motors has, would seem like an astronomical amount if you put it on the candy store down the street. So, in perspective is sort of where I wish to put the emphasis there.”

(For anyone watching the news lately, it appears that the amount of debt General Motors has, is astronomical

even for General Motors.)

“There are a lot of things that have to be done, in order for a special district to issue revenue debt, which has been the subject of a lot of conversation lately. All of our existing revenue debt... well, first of all, revenue debt is debt that is paid back by user fees. Totally different from debt that is paid back by taxes...”

Tressler then continued explaining the finer points of special district revenue debt for over 10 minutes — without ever mentioning the number Van Horn had asked about: what is the amount of PAWSD revenue debt?

Finally, realtor Michael Little, sitting near the rear of the audience, called out and reiterated Van Horn’s question:

“Can you tell us how much PAWSD is indebted, on our behalf? Did we ever get a number?”

Tressler then gave the official figure: “\$26.4 million. That amount includes the amount authorized by the CWCB loan.”

Is that a lot of money, for a water district in a small town? Would that amount of revenue debt affect the ability of such a water district to raise an additional \$150 million or so needed for a 35,000 acre-foot reservoir — considering that the voters voted down a much smaller reservoir in 2004?

## **Lots of Water, Lots of Debt, Part Two**

Glenn Walsh | 7/17/08

The Pagosa Area Water and Sanitation District has been looking at constructing a 35,000 acre-foot reservoir one mile north of the Town of Pagosa Springs. Many local residents have been looking at these plans with dismay bordering on fear as the local economy has worsened.

Presently, the PAWSD district delivers 2,000 acre-feet of potable water to its 9500 customers. The 35,000 AF reservoir would deliver nearly twenty times as much water, and serve a population of 160,000.

PAWSD instituted a Reservoir Fee in 2006 which was intended to finance the \$150 million price tag (2006 dollars) of the 35,000 AF Reservoir Project. That fee, presently \$7210 for each tap (a business may be charged for multiple taps) was expected to generate \$4.8 million in fiscal year 2008 according to growth forecast made by PAWSD professional water engineer (and amateur impact fee analyst and demographer) Steve Harris of Harris Water Engineering.

The Reservoir Fee had generated less than 2% of that amount, less than \$60,000, by mid-year. PAWSD has already assured the Colorado Water Conservation Board that the project can be financed by raising the monthly fees of existing users.

Which has generated a lot of concern at Town Hall and the County Courthouse.

Deep off-the-record misgivings about the size of the reservoir are widely held (I have not overheard one positive comment about the 35,000 AF plan this year at Town Hall). On-the-record misgivings have been limited to Councilor Mark Weiler’s repeated critiques of the project’s size and financial plan, which essentially aims to ascribe the entire cost of the 100-year project to the first 20% of the customers who might be served by

the facility.

Weiler was joined, very publicly, by a unanimous BoCC Tuesday afternoon.

Commissioner Ronnie Zaday opened the discussion. “I would like the PAWSD Board to know that we as the commissioners have heard from our constituents that going beyond a 12,000 acre-foot reservoir is unnecessary at this time and I would like to send staff to tonight’s meeting to give the PAWS Board that input.”

Zaday then opened a potential Pandora’s Box of embarrassment for PAWSD, “I also have questions for the PAWSD Board regarding the position of Fred Schmidt.” Fred Schmidt has been the president of the San Juan Water Conservancy District since its formation in 1987, and has been the most unsinkable advocate of constructing a 35,000 AF Reservoir at Dry Gulch.

When *Pagosa Springs SUN* reporter James Robinson asked, “What is it about board member Schmidt that you have reservations about?”, Zaday made the first public airing of the growing private distaste for Schmidt’s borderline-at-best business dealings.

Zaday, with a look of somewhat angered disbelief, held up a court document and began to read some lowlights. She closed with Judge Gregory Lyman’s justification for imposing punitive damages against Schmidt in a 2007 fraud judgment. “The judge’s comment was ‘Defendant Schmidt engaged in willful and wanton conduct in these representations without regard to plaintiff’s rights and plaintiff presented evidence that Defendant Fred Schmidt has engaged in other acts which show his disposition to act fraudulently and with willful and wanton disregard for the rights of others.’”

Note that judges rarely, in a default judgment, go beyond the facts of the case and find a “disposition to act fraudulently.” You can go beyond the facts (and opinions) of this article and read a lengthy excerpt of Judge Lyman’s decision [here](#).

There has been much public debate about many very large numbers relating to the Dry Gulch Reservoir Project over the past three months. One number — \$1.3 million — had not been publicly discussed until Zaday spoke Tuesday. That \$1.3 million was the size of the fraud judgment imposed upon Schmidt last year for selling an investor a non-existent interest in a fictitious corporation. In that judgment, Judge Lyman noted Schmidt’s twenty-year record of mishandling and misappropriating investor funds.

Both PAWSD and the SJWCD boards have been in possession of the fraud judgment against Schmidt and his permanent SEC injunction against further financial misdealing for over six weeks. Schmidt has represented the districts in closed-door negotiations for further multi-million land purchases after the receipt of these documents.

Schmidt is presently before Judge Lyman in the damages phase of yet another case where he has been judged guilty of financial misdealing. This case involves the condominium association funds at the Adobe Building, the largest commercial building in downtown Pagosa Springs. Schmidt has refused three demands from the court to show plaintiffs evidence that the building is covered by basic fire and liability insurance.

After the pregnant silence which any recounting of one of Schmidt’s frauds typically occasions, Commission Chair Bob Moomaw added, “I sit on the Water Conservation Board, which is not PAWS, I understand that Fred Schmidt submitted his resignation today to be Board President.”

Zaday did not appear satisfied with the partial resignation. “He is not resigning from the Board, he is just resigning as Board President?” Moomaw confirmed that was his understanding.

Moomaw then confirmed Zaday's opinion about PAWSD's 35,000 acre-foot ambitions. "Until I see very different numbers than I have seen to this point, I don't want to talk about a 35,000 acre-foot reservoir. I think we need to work at the 12,000 acre-foot level."

Moomaw then portrayed the threat to the local economy from the 35,000 acre-foot project (which may exceed \$250 million when revised cost estimates are received next year) very vividly. "To be quite honest, we cannot afford a 35,000 acre-foot lake without sucking all of the capital out this County. That is basically what it gets down to. We need to do a project that is affordable."

Commissioner Robin Schiro, who has attended nearly every recent meeting of the PAWSD board agreed. "I have spent time going over their financial statements. I agree we need to address this issue." Schiro based her opposition to adopting County impact fees in 2006 largely on the charges already imposed on new development to fund the Reservoir Project.

Zaday was not content with a statement to the PAWSD Board but moved for a formal resolution opposing any reservoir larger than the 12,500 acre-foot model recommended by the Water Districts' 2003 Appraisal Report. The motion was passed unanimously.

That resolution will be considered at a BoCC Special Meeting on July 29th.

Repercussions for the Dry Gulch project may be significant. The Water Districts assert in their present case (before Judge Lyman) seeking water rights for the 35,000 AF Dry Gulch Project that they enjoy the widespread support of the Town of Pagosa Springs and Archuleta County.

Yet, the Town has never formally endorsed the 35,000 acre-foot model. The County has refused to collect impact fees for the Reservoir Project and may now formally register opposition to it. The Town may formally oppose any reservoir greater than 12,500 acre-feet as well.

And, readers should note, that one month before the Water Districts submitted their water rights application for a 35,000 acre-foot reservoir in December 2004, Schmidt and his Water Conservancy asked the voters for \$6 million dollars in reservoir funding and nearly 60% of County voters turned the project down.

During that campaign, Schmidt never informed voters of the impending application for the right to construct a 35,000 acre-foot reservoir. Of course, while selling condominiums at the Adobe Buildings, Schmidt apparently never informed purchasers that he would fail to provide fire insurance, pay utility bills and perform necessary repairs, or that he would misappropriate association fees, sell off common areas, and threaten to change covenants to permit him to sell their parking slips.

And, of course, no note of this overwhelming defeat of the reservoir proposal at the polls is mentioned in the Water Districts' findings of fact before Judge Lyman.

If the County, and then the Town, formally oppose the Water Districts' 35,000 acre-foot reservoir, would the Water Districts leave findings of fact before Judge Lyman which would then be a deliberate misrepresentation of local support for their 35,000 acre-foot project?

Hasn't Judge Lyman had to confront enough deliberate misrepresentation from the former President of the San Juan Water Conservancy District already?

## **Lots of Water, Lots of Debt, Part Three**

Bill Hudson | 7/18/08

In [Part Two](#), yesterday, Post writer Glenn Walsh discussed the decision by the Archuleta Board of County Commissioners (BOCC) to express their displeasure with the 35,000 acre-foot reservoir currently planned by Pagosa Area Water and Sanitation District (PAWSD) in collaboration with the San Juan Water Conservancy District (SJWCD) on property they recently purchased with a \$1 million grant and \$8.6 million in loans. The districts are looking at spending millions more purchasing additional Dry Gulch property.

It appears the BOCC is not happy with the way the water districts are proceeding. And they are not the only ones.

The two water districts have recently been denying that their plan involves such an unnecessarily large, 35,000 acre-foot reservoir, holding that the size of the reservoir will ultimately be decided sometime in the next ten years or so. At least one PAWSD board member, Bob Huff, has expressed his belief that a smaller, 12,500 acre-foot reservoir is much more likely to be built.

Despite those denials, the Water Resource Fee being charged to (currently non-existent) future development at a rate of \$7210 per Equivalent Unit continues to be based on a 35,000 acre-foot reservoir. That fee has been the subject of much controversy in recent months; the real estate and construction industries blame overall PAWSD fees for contributing to a serious economic downturn in those two industries.

To date, much of the conversation about the Dry Gulch has been centered upon predictions by the water districts that Pagosa Springs will run out of sufficient drinking water supplies unless it builds some additional water storage — and their claims that the Dry Gulch location is the most economically viable site for that water storage.

That is to say, the conversation has been framed by an assumed need — and the districts' estimate of what the additional storage and pumping stations will cost. “We need this reservoir and here is the best way to fund it.” PAWSD and SJWCD have framed this discussion and kept it focused in that direction, while they have borrowed more and more money to purchase the land for Dry Gulch.

With the BOCC apparently set to pass a resolution of non-support on July 29, the conversation appears to be taking a shift — and perhaps even passing out of PAWSD and SJWCD control. Now the Pagosa Springs Town Council is also discussing withdrawing its support from the Dry Gulch Reservoir.

PAWSD and SJWCD, in their applications for state of Colorado funding, have claimed that the Pagosa Springs community is firmly behind their Dry Gulch plan. Official expressions of non-support, such as the BOCC is proposing and the Town Council is currently discussing, could conceivably sink the reservoir funding efforts and leave the water districts with 60 acres or so of rather pricey, bone dry land.

SJWCD got a taste of that possibility at its Monday meeting this week — the day before the BOCC expressed its intent to withdraw its support — when Town Councilor Mark Weiler invited them to shift their focus in a new direction.

The Monday SJWCD meeting was chaired by board Secretary Jack DeLange — sitting in the seat normally occupied by the mastermind of the Dry Gulch project, SJWCD President Fred Schmidt. Schmidt's absence was possibly occasioned by the fact that he was planning to submit his letter of resignation as SJWCD President. (PAWSD Manager Carrie Weiss confirmed on Wednesday that she had received Schmidt's letter of

resignation.) Schmidt's participation in months of secret negotiations leading up to \$9 million in Dry Gulch land purchases has been made suspect by several recent court cases involving fraud and misappropriation of funds by Schmidt.

(As an interesting side note, the SJWCD meeting began with a lecture by an accountant on how to identify fraud in special district bookkeeping.)

With DeLange in the driver's seat, the SJWCD then began discussing a pending contract with multi-national engineering firm MWH to design the entire Dry Gulch Reservoir including the reservoir, pump station, water treatment plant, and diversion structure (at least ten years before the voters will be asked to approve it, apparently).

When I asked the board if the engineering contract would be based on the full 35,000 acre-foot reservoir, Weiss confirmed that she "believed" would be based on that size project.

"I haven't seen the contract, but I believe it is."

But there has not been a final decision about how big the reservoir will be, right?

DeLange affirmed that the final size of the reservoir had not been decided.

"And we won't decide, for probably twenty years," added board member Fred Ebeling.

But you are still paying for engineering for a 35,000 acre-foot reservoir?

"Yes, if that is the size that we are ultimately targeting, you are correct," said DeLange. No one on the board had yet seen the contract, apparently.

DeLange then launched into a ten-minute explanation about why the Dry Gulch Reservoir is a dire necessity — during which he unfortunately never explained why SJWCD and PAWSD would contract for engineering of a 35,000 acre-foot reservoir which the voters have never approved — but which they will, supposedly, be asked to approve. Wishful thinking?

At that point, Town Council member Mark Weiler raised his hand for permission to address the board, and the conversation took a turn — in a direction that I suspect will ultimately have a significant effect on the whole Dry Gulch discussion.

## **Lots of Water, Lots of Debt, Part Four**

Bill Hudson | 7/21/08

As we left the July 14 San Juan Water Conservancy District meeting in [last Friday's article](#), board Secretary Jack DeLange was lecturing the audience about the dire necessity of purchasing the Dry Gulch property before land prices went through the ceiling — and of planning ahead for a new reservoir that may take 20 years to build.

Sitting in the small audience was Parelli President Mark Weiler, recently appointed to the Pagosa Springs Town Council and one of the community's government leaders speaking out for a re-assessment of the current plan by SJWCD and Pagosa Area Water and Sanitation District to build a new 35,000 acre-foot reservoir in Dry Gulch.

Weiler is by no means one of the anti-development forces arguing to keep Pagosa Springs from growing

economically in the interest of saving its small-town character at all costs. He served on developer David Brown's Community Vision Council and helped conceive that group's first downtown master plan concept in 2004; he helped the Town of Pagosa Springs initiate its first economic incentives effort; working through Parelli and telephone company CenturyTel, he helped bring big-city-style internet service to Pagosa.

Weiler was also an outspoken supporter of impact fees when the Town and County first began considering that funding mechanism.

Following DeLange's Dry Gulch lecture, Weiler raised his hand and asked permission to change the direction of the Dry Gulch conversation. Weiler asked if he might pass out copies of a proposal to the board members.

DeLange responded, "I suppose that's alright, so long as they aren't poisoned."

"I assure you, I have handled every one of these sheets of paper, and if they are poisoned, I am going to die right along with you," Weiler assured the board.

"I think your idea about planning is an excellent one," Weiler told the board, "and I don't think there is anyone who has had any quarrel with planning. The quarrel has been the financial side, the financial consequences of whatever you're going to do. This [proposal] presents a different perspective. The fact of the matter is, the only thing anyone has [complained about in reference to Dry Gulch] is the financial side, as far as I can tell. This proposal presents a way to do that, without massive financial ramifications to the community."

The current PAWSD and SJWCD plan for a new Dry Gulch Reservoir and distribution network has, so far, been based almost entirely on impact fees levied against new development. Impact fees are a fairly new arrival in Pagosa Springs, though they are common in some other Colorado communities. In most communities, an impact fee is a compromise between two essential questions: "What new capital spending will be required as a result of new residents and businesses moving into the community?" — and — "How much can be charged to those new residents and businesses without scaring them away?"

Critics of PAWSD's recent Water Resource Fee — as of last month, set at \$7210 per residential home and scheduled to go up yearly — have been telling the water districts that their collective fees, especially when layered on top of other PAWSD fees plus the Town's own impact fees, are helping kill economic growth in Pagosa during a nationwide recession.

The water districts seem intent upon stashing close to \$140 million into a savings account over the next 20 years via the new Water Resource Fee, regardless of how such a fee may be affecting the local building industry. The fee is being assessed, not on all future reservoir users, but entirely on the first 20 percent of new users who move to Archuleta County over the next 20 years.

Although PAWSD recently re-worked its fee schedule to be more fair to commercial projects, the fees levied on smaller residential homes appear to have actually increased. And with the building industry in a massive slump, the water districts are so far collecting less than 2 percent of what they originally expected for this year. With growth failing to happen and millions already paid for Dry Gulch land, PAWSD may soon be facing a cash flow crunch unless it greatly increases its monthly water fees charged to existing customers.

The proposal Weiler handed out to the SJWCD — and to the PAWSD board the following evening — did not criticize the Dry Gulch project itself, but rather the funding approach the water districts have taken. Weiler referred to his proposal as the "HBO Method — you're going to pay for it by the month."

"Let us say you wanted to drill for oil in the North Sea off the coast of Norway," the proposal states, in part. "Would you sum up the total capital costs and then assess each customer a \$40,000 oil resource fee before they

fill up? No, you charge the cost over the life of the project, gallon by gallon.

“I realize the technical challenges of storing and delivering water are impressive. Try harvesting natural gas underneath a potential war zone in the Middle East, capturing it, cooling and condensing it, transporting it 10,000 miles to a distribution network – a network that can not only leak but explode – and delivering it across a continent. Well, that is what is being done at astronomic cost and with no upfront fees.

“Consider the staggering sums spent to construct the U.S. electric grid or telecommunications and entertainment networks. Hydroelectric dams, nuclear power plants and geosynchronous satellites systems are expensive.

“They are all paid for month by month by all the customers who benefit.

“And we can build this [Dry Gulch] Reservoir Project the same way: month by month, gallon by gallon — And This Is Key — with every new customer welcomed as a new contributor helping to build a community asset, not as a negative impact that has to be remedied.

“The cost: less than it costs to watch HBO. I repeat. Less than it costs to watch HBO.”

The proposal then suggests a funding plan that charges some of the Dry Gulch project to existing customers, and a larger share to new residents — but always allowing district customers to make their payments over the life of the project.

It’s important to note that Weiler’s proposal is based on a 12,500 acre-foot reservoir — a reservoir which would increase Archuleta County’s water storage to four times what is currently available — rather than being based on the 35,000 acre-foot reservoir that presently defines the Water Resource Fees. A 35,000 acre-foot reservoir would increase community water storage by over 10 times our current storage capacity, by my calculations.

Weiler's proposal concludes, “No one is going to decide against moving to Pagosa, or buying a second home here, because of a \$17 dollar monthly charge which buys them clean, first run water from wilderness areas atop the Continental Divide. Would anyone prefer to move downstream and drink treated wastewater? Or water laden with mine tailings?

“And people will begin moving to Pagosa again when we extend them a fair deal, and treat them like a valuable addition to our community — to be welcomed and not like a bundle of negative impacts to be cured.”

Weiler discussed his recent conversation with representatives from the Colorado State Demographer’s Office — a source of professional population projections that so far have been summarily rejected by PAWSD and SJWCD in favor of much higher projections formulated by Steve Harris, the Durango engineer who is designing the new Dry Gulch Reservoir.

“I’d like you to consider this proposal,” Weiler concluded. “It’s a different financial alternative to getting to the same result. And I appreciate your perspective about what size [reservoir] should you build. But here’s the question, what financially can you afford to build? And if the growth is not generating in the revenue required, you’re not going to build it anyway. You can’t. This proposal gives you a way to finance a reservoir, in a way that doesn’t hit the people at the front end.”

A few days later, PAWSD representatives Carrie Weiss, Karen Wessels, and Shelley Tressler would be sitting around a table at Town Hall, urging the Archuleta County Board of County Commissioners to reconsider their politically-potent withdrawal of support for the Steve-Harris-sized 35,000 acre-foot Dry Gulch project.

## Lots of Water, Lots of Debt, Part Five

Bill Hudson | 7/22/08

In [Part Two](#) of this article series last week, *Post* writer Glenn Walsh reported on the decision by the Archuleta County Commissioners to direct their staff to prepare a new resolution, stating the the BOCC's lack of support for a 35,000 acre-foot reservoir at Dry Gulch. That resolution is scheduled for consideration next Tuesday, July 29, and if passed, could conceivably be a nail in the coffin for the ongoing water rights application by Pagosa Area Water and Sanitation District (PAWSD) and San Juan Water Conservancy District in District 7 Water Court.

A previous water rights application for Dry Gulch was approved in 2004, based on a 35,000 acre-foot reservoir — plus the right to refill the reservoir with up to 64,000 acre-feet of water pumped from the San Juan River. That decree by Judge Greg Lyman — which curiously took place just as Archuleta County voters were turning down a ballot measure to fund Dry Gulch — was subsequently appealed to the Colorado Supreme Court by non-profit fishing organization Trout Unlimited. The Supreme Court remanded the case back to Lyman for additional findings of fact, citing several key problems with Lyman's original decree.

The water districts currently have no decreed water rights specific to the Dry Gulch reservoir. No one knows when Lyman will render his new decision on those rights.

In their recent application for a \$22 million loan from Colorado Water Conservation Board for the Dry Gulch purchase, the two water districts had declared that the Archuleta County community was firmly behind the \$150 million Dry Gulch project. No mention was made of the failure of voters to approve the Dry Gulch purchase in 2004. (The loan amount requested has since been dropped to about \$12 million.)

On Tuesday, last week, the BOCC unanimously voiced their intent to declare their non-support for any reservoir larger than 12,500 acre-feet. PAWSD has, for several years now, based its new Water Resource Fee on a 35,000 acre-foot reservoir. Some local business leaders have blamed that fee — most recently priced at \$7210 per single family home — for contributing to Pagosa Springs' currently-stagnant economy.

The following day, Wednesday, the PAWSD board chair Karen Wessels, along with PAWSD Manager Carrie Weiss and Finance Manager Shelley Tressler attended a joint meeting that included Town Council members Darrel Cotton and Mark Weiler, Pagosa Mayor Ross Aragon, interim Town Manager Tamra Allen, and — from the County — BOCC chair Bob Moomaw and County Administrator Greg Schulte.

Moomaw and Schulte were a bit late in arriving, so Weiss and Tressler fielded questions from Councilor Mark Weiler in the meantime, and, from what I could tell, did their best to make their answers as complicated as possible.

When the County representatives arrived, Weiss was obviously eager to discuss the BOCC pending resolution of non-support for the larger size reservoir. The previous evening, Schulte had delivered a message to the PAWSD board about the pending non-support resolution.

Weiss read aloud the statement Schulte had delivered, which included the following wording:

“The BOCC, in expressing its concern, is representing the taxpayers of Archuleta County, who [in turn] have expressed their opinion through votes, not to exceed the 12,500 acre-feet.” The BOCC also objected to PAWSD current \$12 million loan application with Colorado Water Conservation Board (CWCB).

If the BOCC resolution is passed on July 29, “this Resolution will be forwarded to PAWSD, SJWCD, the

Colorado Water Conservation Board and the Southwest Water Conservation District.” Such as resolution could affect Lyman’s water rights decision, as well as state funding from CWCB or SWCD for an eventual reservoir.

Weiss noted that the PAWSD board had discussed the pending BOCC resolution, and she suggested that the BOCC needed some clarification about the \$12 million loan, which as noted in [Part One](#) of this article series, would increase PAWSD’s revenue debt to over \$26 million.

12,500 acre-feet of water is a difficult concept to get a handle on, unless you are a water engineer, or a water district manager or finance director. How much water, really, is that? Will Archuleta really need that much water storage in 2040, as the water districts have suggested?

After researching and writing about Dry Gulch for the past six months, I have come to the conclusion that the numbers given out by PAWSD and SJWCD are not terribly transparent or accurate, despite the thousands of dollars they have spent developing those numbers. But from what I can gather, the Pagosa Springs Area Water and Sanitation District annually delivers 2,000 acre-feet of water to customers in their district. A quarter of that water goes to the Pagosa Springs Golf Course. Some water gets sold to users outside the district, such as Aspen Springs residents with water tanks in their pickup trucks.

So after we add the Aspen Springs users and deduct the golf course, we can estimate that around 8,000 Archuleta County residents plus who-know-how-many tourists are being satisfied with 1,500 acre-feet of water.

Let’s assume that number of tourists will stay about the same over the next 30 years, just for the heck of it — despite \$10 a gallon gasoline. We can then calculate that 12,500 acre-feet of water would satisfy the needs of over 60,000 Archuleta County residents. Add water conservation efforts to lower water use, and we could conceivably served 100,000 people with 12,500 acre-feet of water.

Looking at it another way, if water conservation measures were put in place, a 12,500 acre-foot reservoir could provide our current population with 20 years worth of water, without a single drop of rain or flake of snow falling from the sky.

PAWSD and SJWCD are currently in the process of buying enough land for a 35,000 acre-foot reservoir. That’s maybe 60 years worth of water storage for our current population.

The BOCC resolution will be suggesting that Archuleta County can support a 12.500 acre-foot reservoir, but nothing larger than that.

BOCC chair Bob Moomaw summed up his feelings about the water districts’ current plans.

“This is my opinion, I can’t speak for the board. If we proceeded with a 35,000 acre-foot reservoir, the cost of it is such that it would dramatically stress the amount of capital needed for various projects needed by the County, by the Town, and by other special districts — the School District, the Fire District. I don’t think we have the economic base to support a 35,000 acre-foot reservoir along with all the other necessary capital projects in Archuleta County.”

Moomaw proposed that PAWSD by itself has set the level of impact fees so high, that no other government entity feels comfortable adding more fees to the existing burden.

“While I commend PAWSD on getting their Water Resource Fees in place, ahead of everyone else,” Moomaw stated with a pained smile, “every person who moves here causes an impact — with PAWSD but also with the County and with Town, the School Board, to all entities. And what has occurred, in my opinion — if everyone piled on the impact fees for what they need, realistically the total might be \$25,000 to \$30,000. The real estate

market simply won't bear that. The realistic level is probably about down where the impact fees that are in existence are now."

Unfortunately, about 90% of those current impact fees are going to the water districts.

"There is just not anything left."

It might be useful at this point in our story to consider the future capital expenditures scheduled or needed in Archuleta County — and to think about how our economically-challenged community is going to pay for all these investments.

The Town of Pagosa Springs is about to replace its aging sewer treatment lagoons with a new, higher-quality wastewater treatment facility. A similar but smaller facility in nearby Bayfield just started construction with a price tag of over \$7 million. The Pagosa Springs plant will probably run over \$10 million. The Town just began work on a \$1.2 million facelift for one single block of Lewis Street.

The Archuleta County Courthouse is due for replacement. Its jail facility is already failing to meet Colorado state standards, yet the County has no current financial ability to build a new facility. The County just shifted \$3 million out of its Roads Capital Improvement Fund to balance its deficit balances — and that money must legally be replaced. The County Airport is millions of dollars in debt and still has not finished its new taxiway.

County and Town streets and roads are, by all accounts, in the worst shape in at least 15 years.

The Upper San Juan Health Services District is using \$1.3 million in annual tax revenues to pay the the mortgage on a new, financially unstable \$12 million hospital.

With its currently declining enrollment, the School District seems to be in good shape as far as needed capital expenditures are concerned, though taxpayers are still paying the debt on the new high school. (But the declining enrollment also hints at a possible loss of population in Archuleta County as a whole — raising serious questions about the accuracy of water district population projections.)

All of these upcoming and ongoing projects rely on local tax revenues. Looking at the current plans at PAWSD and SJWCD — two districts with already over \$26 million in revenue debt — we will be adding at least \$150 million more to the debt burden in Archuleta County, for a new reservoir in Dry Gulch. One commentator, who has been looking closely at the spiraling price of construction materials, has suggested that the Dry Gulch project will easily cost more than \$250 million.

What kind of debt burden can a dysfunctional economy like ours support?

Can everyone sit down together — as Moomaw suggested at last Wednesday's joint meeting — and make a plan that serves everyone's needs in a reasonable manner?