

# HUERFANO COUNTY WATER CONSERVANCY DISTRICT

## ANNUAL REPORT

HCWCD 2022 and 2023 Bi-annual Report to the District Court follows:

### Organization and Governance

There has been no significant change in HCWCD organization and governance.

1. Current HCWCD personnel. The makeup of HCWCD board has not changed since the last report. The expiration dates of board members' terms are as follows: Scott King, president, Kent Mace (vice-president), Lewis "Beaver" Edmundson, 9/30/2024; Lonnie Brown and Michael "Sandy" White, 9/30/2027.

HCWCD contract staff includes Applegate Group (Denver), water engineering consultant; Monson, Cummins, Shohet & Farr, water-related legal representation; La Veta Carpentry/Richard Dunn, Water Analyst and website manager; Dunn Write/Carol Dunn, Administrator.

HCWCD added several contractors in 2023. David Steffan was retained as Remediation Coordinator to coordinate on-the-ground projects to alleviate the effects of flooding and property damage on and downstream of the Spring Creek Fire burn scar. Sadie Wardell was contracted to manage water operations on the William Craig ditch, part of the HCWCD Huerfano Basin Augmentation Plan. Former DWR Water Commissioner Doug Brgoch has been retained as a water consultant. Mace Water & Land, LLC has been contracted to operate the Sheep Mountain Augmentation Facility.

### Meetings, Outreach and Planning

2. HCWCD Meetings. HCWCD board meets monthly on the fourth Monday of each month at 6:00 pm, as well as for occasional special meetings as required. HCWCD is subject to the Open Meetings Law, so meetings are appropriately noticed and open to the public. Meeting agendas and the current year's meeting schedule are posted on HCWCD website. Board meetings are currently being held in person at the Walsenburg Housing Authority activity room, 220 Russell Street. An online Zoom component is usually arranged for Applegate Group to participate in meetings.

3. HCWCD Website. HCWCD continues to operate and update its website, <https://www.hcwcd.net/>. It is intended to make HCWCD activities more transparent to taxpayers and constituents.
4. Arkansas Basin Roundtable. HCWCD remains active in the Arkansas Basin Roundtable, with board members Scott King and Sandy White and water consultant Doug Brgoch serving on the roundtable. The Roundtable is a governmental entity formed under C.R.S. § 37-75-101 *et seq.* and is one of the gatekeepers for water project planning and funding in the Arkansas Basin. <https://www.arkansasbasin.com/>.
5. Goals and Strategic Plan. HCWCD is working from its written “Goals and Strategic Plan,” updated in 2020 through a workshop with partners and cooperating agencies. The goals are:
  - To become financially self-sufficient (action steps from one to ten years).
  - To develop and foster good relationships with all HCWCD partners (one year).
  - To educate the public’s understanding of water development (ongoing). To this end, HCWCD published a series of newspaper articles in mid-2022 about its ongoing projects. These can be found on the HCWCD website.
  - Continue seven HCWCD projects to completion (action steps from one to five years).
  - Develop strategies that reflect the Board’s actions to shape the future of HCWCD (action steps from one to five years).
  - Develop strategies to recruit future Board members and staff (action steps from two to ten years).

Specifics are available on the HCWCD website.

#### HCWCD Finances

6. Current Budget, Audit. In 2023 HCWCD operated with a budget of \$818,817, adopted a 2024 budget of \$2,863,655 and received a clean audit for 2022 financials. The budget and financial documents are on the HCWCD website.
7. Mill Levy. Like other special districts, HCWCD was affected by the late 2023 Colorado legislative action regarding property taxes. In the 2024 budget, before that legislation was enacted, the mill levy was anticipated to generate \$356,416 in property tax revenues; after the legislation, the final mill levy budget item is \$331,815, a decrease of \$24,601. An increase in the mill levy (2.128) will likely be necessary to support HCWCD future projects.

#### Huerfano River Basin Augmentation Program



This was the first significant project of HCWCD. Begun in 2009 to protect vital, but previously unadjudicated and unlawful well withdrawals by small communities and schools, the program has expanded to include new commercial and industrial users essential to economic development.

8. Program status. In 2023, HCWCD performed additional maintenance on the recharge pond on the William Craig Ranch northwest of Walsenburg, as well as at the Sheep Mountain Ranch facilities, two miles northwest of Gardner.

The recharge pond required remediation from continued high sediment loads, particularly ashy runoff from Pass Creek after the 2018 Spring Creek Fire. Over the past five years, these sediments had mucked up the subsurface drainage pipes and reduced recharge substantially. Applegate Group designed an infiltration system that did not require replacement of the subsurface pipes, saving HCWCD considerable expense. This was installed in September 2023 and has been working well.

The Sheep Mountain Augmentation Facility (SMAF) enables HCWCD to pump water from the Huerfano River into storage and then return it at scheduled times to replace the depletions by the Plan's participants. The Facility includes the 45.42 acre-feet (af) Sheep Mountain Reservoir, plus a substantial concrete diversion structure, fish ladder, wet well, and pumphouse on slab. SMAF provides the ability to pump up to the reservoir and return water by gravity flow to the river. Beginning in 2021 and continuing through 2023, the pump, power and remote-activated controls were key in executing critically-timed exchanges to the reservoir of water leased from Pitkin County.

Abnormally high winds and wave runup in 2021 and 2022 impacted the top ten feet of the SMAF Reservoir, threatening the stability of the reservoir liner and storage capacity and requiring ballast stabilization. In 2023, HCWCD applied for and received approval for congressionally-directed funding through Congresswoman Boebert's office to install the stabilization measures. The grant funding will be coordinated by USDA Rural Development through its Water and Environmental Programs. When the already-appropriated funding of \$1,576,000 is received, a two-phase implementation will take place for erosive protection of the reservoir liner. In phase one, under guidance of Applegate Group Engineers, riprap will be imported and placed in a band from the high-water line down ten vertical feet. The second phase will repeat that procedure for approximately ten more vertical feet.

Colorado Water Conservation Board (CWCB) Loan. The augmentation program required a senior water right, which was acquired through the purchase of the William Craig/Camp Ranch. Grants and loans provided most

of the funding to acquire the ranch and its water rights, as well as to construct the augmentation facilities at Sheep Mountain Ranch. The CWCB loan total is \$2,640,000 for 30 years at 2.25%. The date of substantial completion was 12/31/2021. A payment of remaining accrued interest during construction (IDC) in the amount of \$56,374.35 was made in February 2022. The first payment of \$123,186.00 (\$77,429 principal, \$45,757 interest) was paid in February 2023. Additional payments will be made every February according to a 28-year CWCB schedule. Eventual full subscription of augmentation certificates will generate additional funds (\$2,000,000 plus), enabling most, if not all, of the remaining loan balance to be paid off. That will eliminate future interest expenses, free up a portion of HCWCD tax revenue for other purposes and restore HCWCD borrowing capacity – all important for HCWCD future plans. The sale of the Wm. Craig/Camp Ranch in 2020 paid the accrued IDC (\$304,213) plus principal (\$632,766) on the CWCB loan contract.

9. Augmentation Plan Participants.

- a. As of December 2023, HCWCD had committed 47 af of replacement water – out of 52 available – for 2024 under the Huerfano River Basin Regional Augmentation Plan. This includes purchased certificates and annual leases.
- b. A Plan Participant has a contractual right to receive replacement water to replace out-of-priority depletions, which is represented by an Augmentation Certificate issued by HCWCD. HCWCD Rules and Regulations and its Rates and Fees Resolution allow for the outright purchase of Augmentation Certificates by Plan Participants, as well as a lease-to-purchase option, where the purchase price of the Augmentation Certificate is amortized over 5 annual payments. HCWCD also assesses an Annual Administration Fee upon Plan Participants in accordance with HCWCD Rules and Regulations. This is designed to cover HCWCD engineering, legal and clerical costs in the administration of the Regional Augmentation Plan.
- c. All the Plan Participants that opted to purchase Augmentation Certificates on the lease-to-purchase basis have completed paying all five of their annual payments as of October 2023; all Plan Participants are in good standing with their annual administration fees.

Infrastructure Improvement Program



To more carefully manage the County's scanty water resources, this cooperative project was jointly initiated by HCWCD and the Colorado Division of Water Resources (DWR, the administrator of water rights in Colorado). Its purpose is to upgrade and increase water right administration facilities in the county – stream flow gages and alluvial monitoring wells – and to support the Division Engineer in the development of a “futile call” model.

10. Total project cost is \$312,400 primarily funded by the CWCB and DWR. The project is a cooperative effort among HCWCD (main sponsor), DWR Water Division 2 (DWR-2), and the Interstate and Federal Section of the CWCB (DSS), with additional support from local funding sources: Huerfano County Board of County Commissioners, Cucharas Sanitation & Water District, Huerfano County Federal Mineral Lease District, Town of La Veta, City of Walsenburg, and HCWCD.
11. Most of the existing river gages in the county were decrepit or inoperable and have now been rehabilitated. Additionally, three new gages were constructed and are operating: one on the Huerfano River near its crossing of I-25, one on the lower Huerfano near Undercliff, and on the Cucharas River near its crossing of U.S. Highway 10.
12. Monitoring wells were to be placed in each of the two rivers' alluvia at strategic locations to measure groundwater levels. Two wells have been installed and are operating on the upper and lower Huerfano River. The well on the Cucharas River, to be located near the breached dam of Cucharas No. 5 Reservoir, has been awaiting landowner permission for several years.
13. Finally, using data from the gages and monitoring wells, a draft model was developed by the Division Engineer, it is essentially final. The model was intended to assist in making futile call decisions under C.R.S. § 37-92-502(2)(a). The futile call has been important historically in Huerfano County; it is pointless to curtail diversions by junior water rights on the Huerfano and Cucharas rivers in order to meet the call of downstream seniors on the Arkansas mainstem if the water that bypassed those juniors never actually reached the seniors. The model was designed to demonstrate when the senior call is futile, so Huerfano County junior water rights could be allowed to continue their diversions.

In 2023, the new Division 2 Engineer and the State Engineer established a new policy with plans to discontinue the practice of futile call throughout Colorado. HCWCD has started a dialog with the Division Engineer and State Engineer expressing disagreement with the new policy and has reached out to other water conservancy districts about their position regarding the change.

### Cucharas Storage Collaborative.

In 2015 HCWCD initiated the Cucharas Basin Storage Collaborative (Collaborative) to address an acute shortage of water storage capacity in the basin. Roughly 70% of that capacity was lost through lack of maintenance and abandonment after World War II, providing little insurance against drought.

14. The membership of the Collaborative has included: Cucharas Sanitation and Water District, Town of La Veta, City of Walsenburg, Maria Lakes Grazing Association, HCWCD, and Huerfano County, all of which have provided local grant matches, as have the La Veta Fire Protection District, Upon the Rock Camp and the Huerfano County Federal Mineral Lease District. The Colorado Division of Water Resources has provided invaluable inkind assistance. Sporadically participating in the thirteen meetings of the Collaborative have been representatives of the United States Forest Service, the United States Natural Resources Conservation Service, the Colorado Department of Parks and Wildlife, and the Colorado State Forest Service.
15. The first step the Collaborative undertook was a storage needs analysis. This winnowed down dozens of options to identify five preferred storage sites to be developed, with cost and yield estimates. Geotechnical studies on all five led to the selection of three sites, based on cost per af of yield. A 30% engineering design was completed on these three options. For the Bruce Canyon site, a 50% design was completed in December 2021. The 50% design on Maria Stevens Reservoir Enlargement was completed in 2022. Total costs on Collaborative Storage projects to date are \$618,317. Over 20% of the work of the Collaborative has been supported by local matching funds.
16. HCWCD was approved in 2021 for a CWCB grant to study the feasibility of dredging the Maria Stevens Reservoir to achieve 642 af of additional capacity, rather than increasing the height of the dam. The grant amount is \$14,795, with a total project cost of \$19,727 including match. The completion date for the study is anticipated to be September 2025.
17. In late 2022 on behalf of the Collaborative, HCWCD applied to the USDA Natural Resources Conservation Service (NRCS) for designation of a USDA PL-566 Small Watershed Project in the Cucharas River watershed. The proposed combined project would build Bruce Canyon Reservoir (1233 af) and enlarge Maria Stevens Reservoir (642 af). The request is currently in the feasibility study phase, conducted by Utah-based engineering firm Jones & DeMille. A project sponsor meeting was conducted by Jones & DeMille in July 2023, with a stakeholder meeting following in September 2023. Jones & DeMille rendered its recommendation to NRCS on the need and feasibility of



the project at the end of 2023. The request is expected to be submitted to the national NRCS office in 2024. Under PL-566, further engineering design for both reservoirs by NRCS would be covered at 100%, with the cost of eventual construction – estimated today at \$32-million – covered at 75%. If the PL-566 project is designated by NRCS, HCWCD will be researching possible sources for the \$8-million needed in non-federal matching funds.

18. Walsenburg and Collaborative exchange litigation.

- a. Collaborative storage and exchange decree. As of 2020, adjudication of conditional junior storage rights in the five preferred reservoir sites mentioned in #17 and rights of exchange among them was achieved in Division 2 Water Court Case #2017CW3075. Co-applicants in the case were the Town of La Veta and Cucharas Sanitation & Water District.
- b. Intergovernmental agreement. The 2020 intergovernmental agreement (IGA) among the Applicants and the City of Walsenburg (“IGA”) is still in effect.
  - i. The IGA incorporates the decreed rights from Case No. 17CW3075 and the decreed rights in Walsenburg Case No. 17CW3063, for storage and exchange rights along the Cucharas River as well.
  - ii. The overall goal of Case No. 17CW3075 and the IGA is to integrate the operations of the large water users in the Cucharas Basin to maximize the water resources of the basin.

Spring Creek Fire

As a result of the 2018 Spring Creek Fire in the headwaters of the Cucharas and Huerfano River basins, runoff from hydrophobic soils on the burn scar continues to plague property owners in the watershed with flooding and debris flows.

19. Warning gages. Five remaining flood warning gages (installed in 2019) continue to monitor the streams draining the burn scar above La Veta and Walsenburg. At a cost of about \$179,000, the gages were financed through HCWCD by CWCB and CDHSEM grants, with substantial inkind assistance and expertise from DWR. Although the funding has expired, flooding continues to change the stream channel at the Middle Creek gage. Work continues to reinforce and stabilize it, and the municipalities have requested that HCWCD add two more years of satellite communication monitoring.

20. Burn scar work.

- a. The 2019 grant from the CWCB in the amount of \$470,000 funded flood mitigation work within the burn scar. All three phases of the project have been completed.
- i. Reports of phases 1 and 2 can be found on HCWCD website: [www.hcwcd.net](http://www.hcwcd.net) .
  - ii. In phase 3, digital elevation and hydraulic models were developed to identify potential projects within the Indian and Middle Creek watersheds. Links to the deliverables for the Indian and Middle Creek Geomorphic Analysis and associated prioritization summary are located at: <https://enginuity.egnyte.com/fl/4pPv2z4hva>

Included are the technical reports:

1. Prioritization Summary
2. Hydrology
3. Hydraulics
4. Fluvial Hazard Zones

An ArcGIS live webmap of associated data can be found at: <https://www.arcgis.com/apps/View/index.html?appid=afcb4afd904449c796eb64fc9087b52c>

The technical evaluations were used to prioritize projects identified by the Arkansas River Watershed Collaborative throughout both basins based on existing hazards and risk.

- b. Since 2021, HCWCD has been working in partnership with Huerfano County under a second CWCB grant in the amount of \$500,000. A core stakeholder group was established that included participants from Arkansas River Watershed Collaborative (ARWC), Spanish Peaks Alliance for Wildfire Protection, CWCB, Colorado Parks and Wildlife, NRCS, HCWCD, Town of La Veta, Upon the Rock Camp.
- c. Because of continued damaging floods and debris flows, CWCB suggested pausing work on the burn scar in 2022 in order to study treatment alternatives and determine which future projects would stand the best chance of success. With a \$100,000 CWCB grant award, HCWCD contracted for a Strategic Analysis by Enginuity in 2022 to determine the most prudent actions and projects to protect and enhance the watershed, water quality, stream assets, and habitat. Future work will include fortifying the Middle Creek flood warning gage. Partners that contributed \$35,000 in match toward the strategic



assessment were: Huerfano County, Town of La Veta and City of Walsenburg.

- d. The stakeholder group met multiple times in 2022 and 2023, including a site visit, to determine projects to implement within the burn scar based on modeling in Phase 3 and aligned with the Strategic Analysis completed by Enginuity in 2022. Work to develop access to the project site was authorized by HCWCD in the latter part of 2023. Implementation of projects will take place in 2024.
- e. CWCB grants typically require a match from private or federal sources. For the grants described above, HCWCD reported the match as coming from the Federal funding of the County's Emergency Watershed Protection projects through NRCS.

#### Future Plans

With the accelerating activity of HCWCD, certain changes would be beneficial. Some can be accomplished by HCWCD itself; others will require action by this Court.

21. Future actions which fall to HCWCD include:

- a. Acquire water rights and establish a regional augmentation program in the Cucharas basin similar to that on the Huerfano. This will require money which HCWCD presently does not have. Full subscription of augmentation certificates is expected to free up HCWCD borrowing capacity – necessary for the several million dollars needed for this program.
- b. Develop storage in the Cucharas basin. If the PL-566 project designation is not received, HCWCD will need to complete final design, permitting, construction engineering, and construction of Bruce Canyon Reservoir and enlargement of Maria Stevens Reservoir. Land acquisition or leases will also be required, whether or not a PL-566 project is designated.
- c. Augment "Wildcat" Ponds. HCWCD continues to process applications for augmentation water for pond evaporation in impoundments that do not have adequate water storage rights or that are not exempt under State law. The Division 2 Engineer began regulating these "wildcat" ponds in late 2021. Initial investigation showed the potential need for as much as 8,900 af of total augmentation water in the Huerfano and

Cucharas River basins. The need far exceeds the current capacity of HCWCD to provide augmentation water. Consequently, there is an urgent need for the acquisition of senior water rights and storage capacity as described above on the Cucharas. On the Huerfano the available augmentation water is nearly fully committed. HCWCD is keeping a watchful eye on the availability of water rights that could be used for augmentation.

- d. Oppose export of water from Huerfano County. HCWCD continues to monitor pending plans by others to export water out of the county. HCWCD is prohibited from participating in any such scheme and is alert for occasions to oppose attempts by others to export water.

Since HCWCD is a creation of and is supervised by this Court, the board welcomes any questions the Court may have. The Court's primary contact with the board should be its chair, Scott King, 719-742-3124 or 719-680-0784.

Respectfully submitted,

Dated this 22nd day of April, 2024.

HUERFANO COUNTY WATER  
CONSERVANCY DISTRICT

A handwritten signature in blue ink, appearing to read 'Scott King', is written over a horizontal line.

Scott King, President