

Date: March 25th, 2021

TO: Town of Rico Board of Trustees
FROM: Kari Distefano, Rico Town Manager
SUBJECT: Board of Trustee's work session

Allocation of water uses in the future

I have been working with Marti Whitmore to devise an equitable allocation of Rico's water uses that can be added to the revised Rico Land Use Code. I have attached a list of options for the Trustees to consider as well as a map of a proposed utility service area. The Rico Planning commission discussed the options at the March 10th meeting and preferred Option 3, the hybrid, but they did not have any definitive suggestions for a fee in lieu of charge.

I had suggested that we link the fee to the additional water use the subdivision would generate. Here is a possible method of determining the fees:

According to a preliminary engineering report we had done in 2018, the cost of upgrading the Silver Creek system to the point it could be used would be approximately \$4,000,000. When we looked at this U.S.D.A interest rates for a 20-year loan were 2.5%. This may have come down but I am going to use it:

The payments on a \$4,000,000 loan would be \$254,352 per year. For this price, we would get an additional 3 cubic feet per second (cfs). 3 cfs is the equivalent of 2172 acre feet per year so the cost per acre foot per year of upgrading the system would be \$117.10.

The average person uses 100 gallons of water per day.

The average household has 2.53 people. $100 \times 2.53 \times 365 = 92,345$ gallons per year or 0.2834 acre feet per year.

If you multiply \$117.10 by 0.2834, you get an annual fee of \$33.19 per single family lot. This would be in addition to the Town's normal base rate and would be adjusted for inflation. It would go away once the system had been upgraded.

The easiest way to charge this would be to have the developer pay that fee on an ongoing basis until the new system was installed and paid off but I think that we need to come up with a lump sum option. This process is just a suggestion. We could charge a higher rate but it does need to be roughly proportional to the level of subdivision impact. We should also consider

affordable housing and whether or not to incorporate a sliding scale fee for developers that are willing to provide deed restricted housing.

The other suggestion that came out of the Planning Commission discussion was to increase tap fees. While the Board recently brought them down, I believe that we are looking at a different landscape now than we were in 2018. Last year there were 32 land sales in Rico and we have seen an uptick in planning and building permit applications. We could charge an increased tap fee only to new subdivisions and leave the current tap fee in place for existing lots.

I had a conversation with Marty Robbins, the water commissioner in our area who is temporarily taking the place of Doug Pickering, who is retiring. He said we could change our point of diversion but like Marti Whitmore had cautioned, anytime an entity enters water court, they open themselves up to objections. The objecting entity must prove that an alternate point of diversion would damage downstream users. The other cautionary note is that the Town would only get water rights for water that Silver Creek physically produces. As far as I know, there are no historic records of Silver Creeks production and the Town would have to do a study. If the Town were to do a study this upcoming year, which will almost certainly be dry, and Silver Creek only produces for example 0.3 cfs, that would be all that we would get. If the Town is contemplating this path, the next step would be to start tracking Silver Creek flow and to generate a request for proposals for a water attorney. Once we know approximately what this will cost, we can start applying for grant funding.

Infrastructure needs prioritization survey

At the last meeting, the Trustees asked that staff develop and infrastructure prioritization survey. I have included a draft of the survey in this packet for discussion. Please review it and be prepared to comment or revise.

Pertinent Rico water resource facts

- Rico has two sources of water – the Rico well and Silver Creek
- The Rico well allows Rico 0.178 cubic feet per second or 3.5 million gallons per month for uses including municipal and industrial, domestic, commercial, irrigation and recreational.
- Silver Creek allows Rico 0.28 cubic feet per second or 5.4 million gallons per month for uses including domestic, municipal, industrial and lawn watering purposes (absolute).
- Silver Creek allows Rico 2.72 cubic feet per second or 52.7 million gallons per month for uses including domestic, municipal, industrial and lawn watering purposes (conditional).
- Rico has 278 taps, 209 of which are active.
- The average person uses approximately 100 gallons per day or 3050 gallons per month*
- The Rico monthly water use typically ranges between 800,000 and 1.3 million gallons, approximately 40% of the water the well produces.
- Rico has approximately 501 parcels, approximately 221 of which have structures and many of which can be subdivided.
- Rico's current population is approximately 233.
- The Rico well does not produce enough water to supply all lots within the Town boundary.

*per

<https://www.colorado.gov/pacific/sites/default/files/Citizens%20Guide%20to%20Colorado%20Water%20Conservation.pdf>

Options for allocating water taps

Option 1 – Laissez faire

- Put no restrictions on subdivisions. First come first serve with water taps until we run out of water.

Option 2 – Total subdivision moratorium

- Enact a subdivision moratorium until we are able to reactivate Silver Creek or change our diversion point to get more water from the well.

Option 3 - Hybrid

- Create a utility service area
- Allow some limited subdivision within that area
- Charge impact fees for subdivisions that will go towards re-activating Silver Creek



Option 1 – Laissez faire

- Put no restrictions on subdivisions. First come first serve with water taps until we run out of water.

Pros:

1. This is option would require less regulation of potential subdivisions.
2. Less regulation may encourage development, which in turn may encourage more businesses.

Cons:

1. This option would allow less local control over the size, scope and location of future development.
2. If the Town were to approve large-scale subdivisions, lots that are already platted may not have access to water in the future.
3. The Town may be forced into re-activating the Silver Creek system or applying to water court for a change of diversion point sooner than we would like or can afford.

Option 2 – Total subdivision moratorium

- Enact a subdivision moratorium until we are able to reactivate Silver Creek or change our diversion point.

Pros:

1. This is option could allow the Town time to save enough money to reactivate the Silver Creek system or change the diversion point.
2. Passing a subdivision moratorium would reduce the workload for Town staff, the Rico Planning Commission and the Rico Board of Trustees.

Cons:

1. The availability of affordable housing is already an issue in this area and prohibiting subdivisions in Rico could make housing less available and less affordable.
2. The small businesses in Rico need some volume of local population to survive. A subdivision moratorium would limit local growth.
3. Even a complete moratorium on subdivisions would not ensure that there would be enough water for build-out of existing lots.

Option 3 - Hybrid

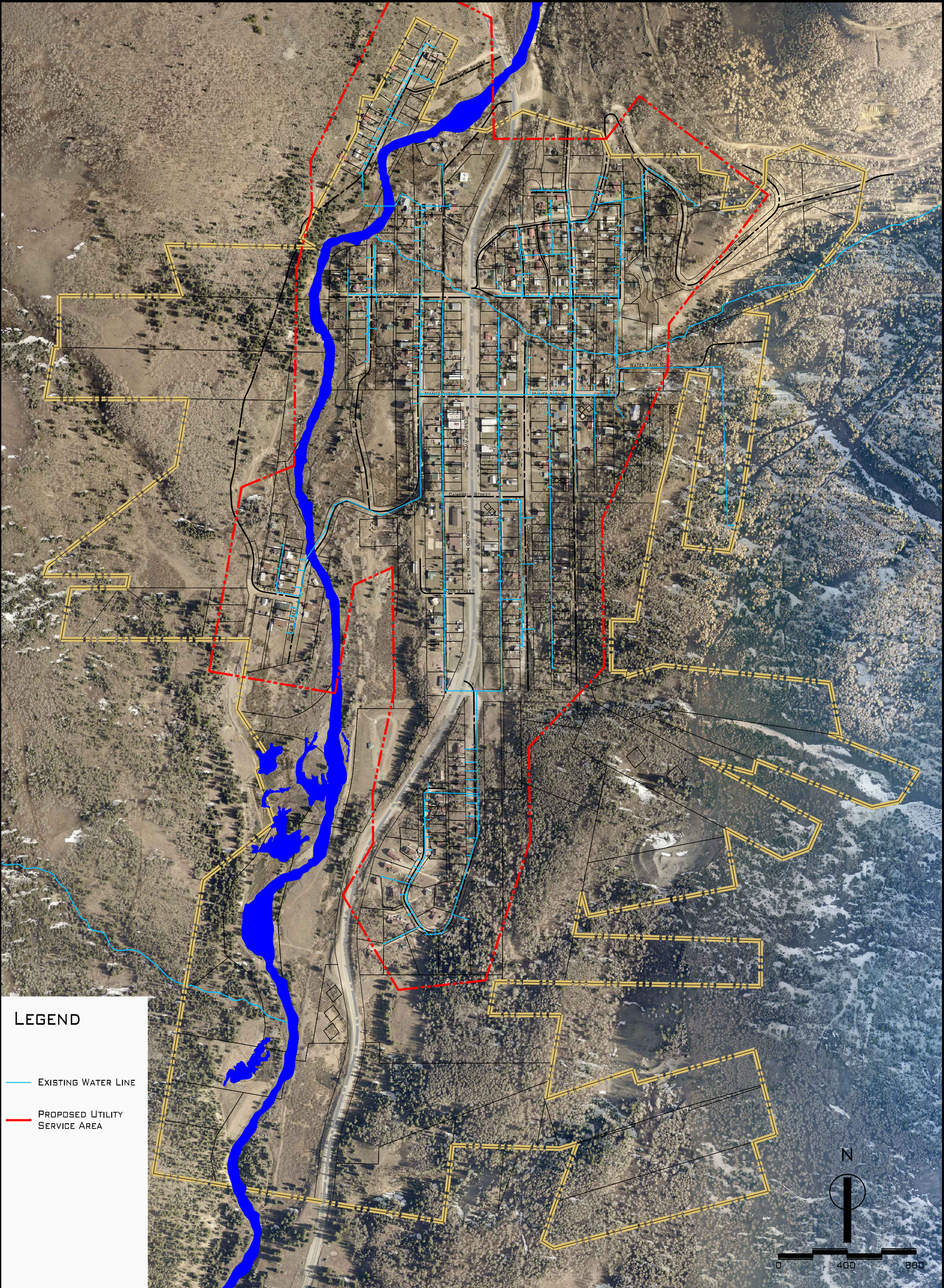
- Create a utility service area
- Allow some limited subdivision within that area
- Charge impact fees for subdivisions that will go towards re-activating Silver Creek or changing the diversion point.

Pros:

1. This is option could allow some controlled growth in areas that are currently either served by or adjacent to existing utilities.
2. This option could help the Town stockpile some funding for the eventual expansion of water services.

Cons:

1. This option requires more engagement by staff and local officials than the other two options.
2. This option will require that the Rico Land Use Code be amended to provide for a utility service area and establish impact fees.



TOWN OF RICO UTILITY SERVICE AREA MAP

ARTICLE

WATER POLICIES

The Town of Rico has limited water resources for supplying new development in the town. In addition, the infrastructure capacity will not accommodate significant growth without improvement and upgrades. It is the position of the Town that new development must pay its own way. While embracing new development and the benefits of new development to the overall vibrancy and success of the Town, that must be balanced with the limited resources available. The following policies will guide the issuance of water taps to the Town's water system, and approvals of new development.

1. The water service area of the Town of Rico is as depicted on Exhibit A. The service area does not include properties that are considered to be non-developable due to environmental hazards such as avalanche, rockfall, slope, wetlands, flood plain. These areas do not lend themselves to cost-effective extension of water service, and may not qualify for development permits due to their location.
2. Within the service area, the Town anticipates one tap per developable lot to serve one single-family dwelling or commercial business. Projects requiring more than one tap because of a proposed PUD, subdivision, or special use will be required to either provide additional water and water rights to serve the additional uses or may be permitted to pay an "in-lieu" fee commensurate with the additional uses to assist the Town in acquiring additional water and water rights, or to expand/improve the Town's water infrastructure.
3. Any proposed development outside of the service area will need to provide an adequate supply of water for the proposed development for dedication to the Town, or may be permitted to pay an in-lieu fee commensurate with the water needs of the proposed development, at the Town's sole discretion. All development outside of the service area will be required to pay for costs of extension of infrastructure in order to service the proposed development.
4. No water taps will be issued without a corresponding building permit or other approval. Water taps, once issued, must be placed into service within twenty-four months, or the tap will be returned to the Town.
5. All water users on the Town of Rico water system are expected to adhere to best practices of conservation and such conservation measures as may be imposed from time to time as necessary during drought conditions.

Rico Infrastructure Survey

The Rico Board of Trustees has identified a number of infrastructure needs in Rico. The following is a survey that is designed to help the Town prioritize infrastructure projects and evaluate the willingness of the community to spend tax dollars on infrastructure, both capital projects and basic operations and maintenance. Please read the following carefully. It will help you answer the survey questions.

Important Terms

1. **Appraised value:** An appraised value is an evaluation of a property's value based on a given point in time. The evaluation is performed by a professional appraiser during the mortgage origination process. The appraiser is usually chosen by the lender, but the appraisal is paid for by the borrower.
2. **Actual Value:** This is the Dolores County Assessor's determination of the value of your property. The Assessor's office uses the market approach to assigning values, which means they look at the recent sales of properties in your area and determine the value of your property based on an analysis of those sales. The Assessor's determination of actual value and the value that an appraiser may assign to your property, do not always line up.
3. **Assessed Value:** The assessed value of residences in Colorado is 7.15% of actual value. The assessed value of commercial properties is 29%. Whether or not a property is commercial or residential is determined by the Dolores County Assessor not by Town of Rico Zoning regulations. The assessed value of vacant land is 29%.
4. **Mill Levy:** A mill levy is property tax that is based on a property's assessed value. One mill is equal to \$1.00 of tax per each \$1,000 of assessed value. To figure out exactly how much your individual property taxes would increase in each scenario in the survey, go to <http://162.221.202.11/mapguide/dolores/index.php>, find your property by either name or address then look to the left of the page for your assessed value. Once you have found your assessed value multiply that number by the number of mills listed in each question and divide by 1000. For example if the assessed value of your home is \$15,942, you would pay an additional \$204.06 per year to fund a new town shop.

Notes:

1. Grant funding from the Department of Local Affairs may be available for the capital improvements but not for routine maintenance.
2. Cost estimates for improvements are rough. Final engineering and construction bids would be required for more accurate numbers.
3. In addition to the 18.744 (total) mill levies that are specific to the Town of Rico there are also other taxing entities to which the Town property owners are subject. They are the following:

Dolores County General Fund	16.817
County Road & Bridge	4.0
County Social Services	1.85
County Contingency	0.6
Dolores County Library	1.0
Operation of Life	3.6
Dolores County School District	18.744

Southwest Water Conservancy	0.403
Rico Fire Department	7.468
SMART (Rico shuttle)	0.75

Question 1

Please rank improvements to each of the following systems with 1 being the most important and 4 being the least important to you

- A. Internet
- B. Roads
- C. Wastewater
- D. Water

Question 2

Do you own

- ☐ Commercial property
- ☐ Vacant land
- ☐ Residential property
- ☐ A combination

Question 3

Improving internet service to the Town would likely require the installation of fiber optics throughout the Town. Based on an estimated tax increase of approximately 12.8 mills or 17.4% for this upgrade, would you be willing to vote for a mill levy increase to support internet improvements?

- ☐ Yes
- ☐ No

Question 3b

With grant funding that would reduce the cost of this project and based on an estimated tax increase of 8.0 mills or 10.8%, would you be willing to support a tax increase for internet?

- ☐ Yes
- ☐ No

Question 4

Mill levy funding for roads in Rico has not increased since 2000 but costs for maintaining the Rico road system has gone up steadily. Based on an estimated tax increase of 20.62 mills or 27.9% would you be willing to maintain current road service, repair drainage ditches and culverts, do dust control, improve surfacing and keep up with necessary equipment repairs?

☐ Yes

☐ No

Question 5

The Town shop is in poor repair and is no longer adequate or safe. Based on an estimated tax increase of 12.8 mills or 17.4%, would you be willing to vote for a mill levy increase to support the construction of a new town shop?

☐ Yes

☐ No

Question 5b

With grant funding that would reduce the cost of this project and based on an estimated tax increase of 8 mills or 10.8%, would you be willing to support a tax increase for a new Town Shop?

☐ Yes

☐ No

Question 6

The Rico sewer committee presented options for the construction of a central wastewater treatment system. One of the options they presented, called a STEP system was found to be less expensive than the traditional system. Based on an estimated tax increase of 29.51 mills or 40%, would you be willing to support the construction of a central sewer system to serve the commercial core of Rico?

☐ Yes

☐ No

Question 6b

With grant funding that would reduce the cost of this project and based on an estimated tax increase of 24.9 mills or 37.8%, would you be willing to support the construction of a central sewer system that would serve the commercial core of Rico?

☐ Yes

☐ No

Question 7

Re-activating the Silver Creek water system would create a redundant water system for the Town as well as support some limited growth. A preliminary engineer's report from 2018, estimated the cost of re-activating Silver Creek to be \$4,000,000. Based on a tax increase of 42.4 mills or 57.5%, would you be willing to support the re-activation of Silver Creek?

☐ Yes

☐ No

Question 7b

With grant funding that would reduce the cost of this project and based on an estimated tax increase of 31.8 mills or 43.1%, would you be willing to support the re-activation of Silver Creek?

☐ Yes

☐ No

Internet Improvement Estimate \$1,500,000 - 12.80 Mills

Commercial / Vacant Property Total Value	Annual Cost to Owner	Residential Property Total Value	Annual Cost to Owner
\$100,000	\$371.20	\$100,000	\$91.52
\$150,000	\$556.80	\$150,000	\$137.28
\$200,000	\$742.40	\$200,000	\$183.04
\$250,000	\$928.00	\$250,000	\$228.80
\$300,000	\$1,113.60	\$300,000	\$274.56
\$350,000	\$1,299.20	\$350,000	\$320.32
\$400,000	\$1,484.80	\$400,000	\$366.08
\$450,000	\$1,670.40	\$450,000	\$411.84

Internet Improvement Estimate with Grant Funding \$750,000 – 8.0 Mills

Commercial / Vacant Property Total Value	Annual Cost to Owner	Residential Property Total Value	Annual Cost to Owner
\$100,000	\$232.00	\$100,000	\$57.20
\$150,000	\$348.00	\$150,000	\$85.80
\$200,000	\$464.00	\$200,000	\$114.40
\$250,000	\$580.00	\$250,000	\$143.00
\$300,000	\$696.00	\$300,000	\$171.60
\$350,000	\$812.00	\$350,000	\$200.20
\$400,000	\$928.00	\$400,000	\$228.80
\$450,000	\$1,044.00	\$450,000	\$257.40

Road Estimate Maintenance with Grant \$123,799 – 20.62 Mills

Commercial / Vacant Property Total Value	Annual Cost to Owner	Residential Property Total Value	Annual Cost to Owner
\$100,000	\$597.98	\$100,000	\$147.43
\$150,000	\$896.97	\$150,000	\$221.15
\$200,000	\$1,195.96	\$200,000	\$294.87
\$250,000	\$1,494.95	\$250,000	\$368.58

\$300,000	\$1,793.94	\$300,000	\$442.30
\$350,000	\$2,092.93	\$350,000	\$516.02
\$400,000	\$2,391.92	\$400,000	\$589.73
\$450,000	\$2,690.91	\$450,000	\$663.45

Town Shop Estimate \$1,500,000 - 12.80 Mills

Commercial / Vacant Property Total Value	Annual Cost to Owner	Residential Property Total Value	Annual Cost to Owner
\$100,000	\$371.20	\$100,000	\$91.52
\$150,000	\$556.80	\$150,000	\$137.28
\$200,000	\$742.40	\$200,000	\$183.04
\$250,000	\$928.00	\$250,000	\$228.80
\$300,000	\$1,113.60	\$300,000	\$274.56
\$350,000	\$1,299.20	\$350,000	\$320.32
\$400,000	\$1,484.80	\$400,000	\$366.08
\$450,000	\$1,670.40	\$450,000	\$411.84

Town Shop Estimate with Grant Funding \$750,000 – 8.0 Mills

Commercial / Vacant Property Total Value	Annual Cost to Owner	Residential Property Total Value	Annual Cost to Owner
\$100,000	\$232.00	\$100,000	\$57.20
\$150,000	\$348.00	\$150,000	\$85.80
\$200,000	\$464.00	\$200,000	\$114.40
\$250,000	\$580.00	\$250,000	\$143.00
\$300,000	\$696.00	\$300,000	\$171.60
\$350,000	\$812.00	\$350,000	\$200.20
\$400,000	\$928.00	\$400,000	\$228.80
\$450,000	\$1,044.00	\$450,000	\$257.40

Sewer in the Commercial Core Estimate \$3,350,392 – 29.51 Mills

Commercial / Vacant Property Total Value	Annual Cost to Owner	Residential Property Total Value	Annual Cost to Owner
\$100,000	\$855.79	\$100,000	\$211.00
\$150,000	\$1,283.69	\$150,000	\$316.49
\$200,000	\$1,711.58	\$200,000	\$421.99
\$250,000	\$2,139.48	\$250,000	\$527.49
\$300,000	\$2,567.37	\$300,000	\$632.99
\$350,000	\$2,995.27	\$350,000	\$738.49
\$400,000	\$3,423.16	\$400,000	\$843.99
\$450,000	\$3,851.06	\$450,000	\$949.48

Sewer in the Commercial Core Estimate with Grant Funding \$2,350,392 – 24.9 Mills

Commercial / Vacant Property Total Value	Annual Cost to Owner	Residential Property Total Value	Annual Cost to Owner
\$100,000	\$722.10	\$100,000	\$178.04
\$150,000	\$1,083.15	\$150,000	\$267.05
\$200,000	\$1,444.20	\$200,000	\$356.07
\$250,000	\$1,805.25	\$250,000	\$445.09
\$300,000	\$2,166.30	\$300,000	\$534.11
\$350,000	\$2,527.35	\$350,000	\$623.12
\$400,000	\$2,888.40	\$400,000	\$712.14
\$450,000	\$3,249.45	\$450,000	\$801.16

Re-activating Silver Creek Estimate \$4,000,000 – 43.43 Mills

Commercial / Vacant Property Total Value	Annual Cost to Owner	Residential Property Total Value	Annual Cost to Owner
\$100,000	\$1,229.60	\$100,000	\$303.16
\$150,000	\$1,844.40	\$150,000	\$454.74
\$200,000	\$2,459.20	\$200,000	\$606.32
\$250,000	\$3,074.00	\$250,000	\$757.90
\$300,000	\$3,688.80	\$300,000	\$909.48
\$350,000	\$4,303.60	\$350,000	\$1,061.06
\$400,000	\$4,918.40	\$400,000	\$1,212.64
\$450,000	\$5,533.20	\$450,000	\$1,364.22

Re-activating Silver Creek Estimate with Grant Funding \$3,000,000 – 31.8 Mills

Commercial / Vacant Property Total Value	Annual Cost to Owner	Residential Property Total Value	Annual Cost to Owner
\$100,000	\$922.20	\$100,000	\$227.37
\$150,000	\$1,383.30	\$150,000	\$341.06
\$200,000	\$1,844.40	\$200,000	\$454.74
\$250,000	\$2,305.50	\$250,000	\$568.43
\$300,000	\$2,766.60	\$300,000	\$682.11
\$350,000	\$3,227.70	\$350,000	\$795.80
\$400,000	\$3,688.80	\$400,000	\$909.48
\$450,000	\$4,149.90	\$450,000	\$1,023.17