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## Managing Financial Risk to Secure Our Water Future

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## Managing Financial Risk to Secure Our Water Future

with regards to public involvement. He explained the difficulty of keeping the public engaged for ten years on the same project. Werner also discussed the challenges associated with public misinformation. In addition to the public often getting wrong details about a project, citizens do not realize that the federal agencies dictate the process, and state agencies do not have as much leeway and control in the process as the public thinks.

When asked about potential solutions for the public communication struggles, Werner noted that there has to be a better way to do the Environmental Impact Statement (“EIS”) process. Werner would like to see a briefer and more simplified process as well as shorter and more easily understandable documents to facilitate public comment. Additionally, Werner thinks that there needs to be more coordination during the comment period because there is a lot of cherry picking by the various agencies.

Lurline Curran, County Manager of Grand County, primarily commented on her experience working with the public on the Windy Gap Project. Public involvement facilitates the permitting process, Curran explained. Once the locals approve a project, the federal process flows more smoothly.

Curran also discussed some of the downfalls of the federal permitting process as well as other challenging aspects with public communication. Specifically, Curran mentioned that the EIS process eliminates the public dialogue. People send in their comments, and although the agency might answer them on one page in their report, the EIS excludes an actual interchange. She believes that Grand County found a solution to the limited dialogue present in the federal setting and created a template for how groups should work with the public. Curran credits the 1041 permitting process with helping achieve necessary dialogue that lets all people feel like the permit issuer heard them. For example, in Grand County when the staff presents their recommendation for a project, the people in the audience get a chance to make statements in response in a town hall setting.

To Curran, the most frustrating part of public communication is trying to determine how to communicate with all groups in a way that they feel secure in a process with lag time between the various steps. To keep the public informed, Grand County developed a list with everyone who wants to receive information about the Windy Gap Project, and sent those individuals updated information. If you really want public input, Curran notes, you have to be willing to take the time to get it.

Despite the varying backgrounds of each panelist, Rick McCloud, David Nickum, Brian Werner, and Lurline Curran all found that public participation, if approached correctly, could enhance the water permitting process.

*Elizabeth Kutch*

## MANAGING FINANCIAL RISK TO SECURE OUR WATER FUTURE

Building on the framework adopted at the first Colorado Water Congress in 1958, this year’s annual convention addressed six important issues affecting the development of the Colorado Water Plan. The Water Congress refers to each issue as a “plank.” The convention featured moderated panel discussions

on each plank, which included (i) ensuring a strong water program for Colorado, (ii) constant reappraisal of the strength of Colorado's position in respect to its interstate water obligations, (iii) the importance of hydropower to Colorado's water policy, (iv) allocating funding for flood mitigation, (v) the necessity of investing in public water education, and (vi) ideas for managing financial and political risk in order to fund water projects. Together, these planks serve as the Colorado Water Congress's "platform for action."

The final panel of the three-day convention tackled the issue of managing financial risk. Mike Brod of the Colorado Water Resources and Power Development Authority moderated a discussion of how calculated political and financial risks are sometimes necessary to build new water infrastructure.

The first panelist, John Entsminger, General Manager of the Southern Nevada Water Authority ("SNWA"), discussed how SNWA solicits the input of the community before making short and long-term decisions regarding the financing of water infrastructure projects. Formed in 1991, the SNWA addresses southern Nevada's unique water needs on a regional scale. The SNWA also manages the Southern Nevada Water System, which includes facilities used to pump, treat, and deliver Colorado River water from Lake Mead to the Las Vegas Valley.

At the beginning of the 1900s, the small community of Las Vegas claimed it had an inexhaustible artesian supply of water in an attempt to persuade people to move there. Eventually, rising population and limited supplies required that the city take significant steps to address growing water shortages. In response, Las Vegas predominantly turned to the Colorado River to supplement the city's diminishing groundwater supply.

By 2000, southern Nevada had nearly exhausted its share of water from the Colorado River. When drought struck in the 2000s, the people of southern Nevada watched as their primary water supply, the Colorado River, dramatically diminished in flow. From 2000 to 2014, the water level of Lake Mead dropped more than one hundred feet, with current levels around 1,106 feet. SNWA anticipates water levels will drop an additional twenty feet in 2014. Consequently, the first water intake (located at 1,050 feet) will likely be out of service in the near future. When this happens, the second intake (located at 1,000 feet) would be insufficient to continue uninterrupted delivery of water to the Las Vegas Valley. As a result, in 2008 SNWA began installing a third intake at 860 feet. This marvel of engineering, however, comes with an \$850 million price tag. Entsminger stated that neither federal nor state government showed a willingness to assist in covering this cost, which, of course, placed the financial burden for the project squarely on southern Nevada consumers.

According to Entsminger, the key to gaining community support for water infrastructure projects such as the Lake Mead intake is to involve stakeholders in policy and program directives. In 2012, SNWA created a committee of residents, business owners, school directors, and representatives of the gaming and golf industries to help guide future water resource planning. The task given to this "Integrated Resource Planning Advisory Council" ("IRPAC") was to figure out the best way to allocate costs for the Lake Mead intake and other projects. For example, one of the biggest concerns for the committee was ensuring that Las Vegas' large population of fixed-income seniors could adjust to any proposed increases in their water bills.

For years, developers essentially subsidized these sorts of water infrastructure projects through new connection and construction fees. When economic recession hit in 2008, these subsidies dried up. For example, in 2005-06, SNWA collected \$188 million in connection fees from developers. By 2011, this income dropped to \$11 million. As a result, it became imperative to find new funding sources. In 2012, at the recommendation of IRPAC, SNWA instituted an infrastructure charge that imposed a fee on every water user regardless of their level of consumption.

Entsminger added that, in addition to the infrastructure fee, a significant amount of funding comes from sales taxes, commodity charges, and connection charges. Despite the addition of the infrastructure charge and other fees, SNWA is proud to offer its customers lower water rates than many large metropolitan areas, including Santa Fe, San Diego, Phoenix, and Seattle.

SNWA is also employing conservation measures to address the water shortage. For example, SNWA is currently paying residents to remove turf from their yards. SNWA has spent \$195 million on this project since 1995. According to Entsminger, conservation is a double-edged sword and an upside-down business model. On the one hand, the water authority has spent millions of dollars encouraging people to stop using the product they are selling. However, in return, SNWA experienced the benefits of reducing consumptive use of the Colorado River by one-third even as the population grew by twenty-five percent.

Next, Steve Hogan, Mayor of the City of Aurora, discussed Aurora's approach, which focused less on direct citizen input and more on leaders who are willing to make tough political decisions for the benefit of the city as a whole. Mayor Hogan explained that much of Aurora's past mirrors that of Las Vegas. Aurora draws water from three river basins and stores it in a dozen different reservoirs in the plains and mountains. In addition, Aurora's water system, like SNWA's, is only about fifty years old.

In 2002, as a result of rapid population growth and a multi-year drought, Aurora found itself with just a nine-month supply in its system. As a result, the Aurora City Council directed Aurora Water to ensure it was capturing all of the water that the city legally owned. The challenge was to find the most sustainable, cost-effective way to deliver water to the city. The result was Prairie Waters, a state-of-the-art water recycling and purification system that allows the city to draw South Platte River water, which is then filtered through sand and charcoal filters and eventually piped thirty-four miles to a treatment facility. Prairie Waters delivers an additional ten thousand acre-feet of water per year, an increase of approximately twenty percent.

The Prairie Waters Project took five years to complete and cost the city \$660 million. Much like the Lake Mead project, neither federal nor state government contributed financial support to the project. To pay for the project, the city raised residential water rates and tap fees and also issued \$450 million in bonds. Unlike SNWA, however, elected officials, rather than water consumers, made most of the decisions regarding how to finance the project.

Hogan pointed out that, unlike some municipal water suppliers, Aurora Water is a part of the city government. This means that eleven citizens sitting on the City Council have control over water policy decisions. According to

Mayor Hogan, while the Prairie Waters project had *some* community input, overall it was a political decision to go ahead with the project. While Mayor Hogan recalled debates over whether developers should pay their own way, he noted that the city ultimately paid for most of the Prairie Waters Project through increased water rates. The Aurora City Council has since received numerous complaints about increased water rates. According to Mayor Hogan, there are ongoing discussions about water rates in Aurora, but he noted that opinion on what constitutes an appropriate water infrastructure charge changes along with shifts in the city's political landscape.

Hogan further explained that while government staff input and recommendations are important, politics still play an important role in these decisions. Mayor Hogan emphasized the importance of having "project-specific leadership." In other words, having a knowledgeable spokesperson who can deliver accurate information to the public will make these tough political decisions easier on the community as well as on the City Council.

Overall, Entsminger and Hogan provided a good discussion of the differences, but also similarities, of their financial approaches to infrastructure improvements. Their discussion highlighted the major methods of securing funding for such projects, but also exposed the need for each water district or agency to tailor their methods to their specific situation and needs.

*Gina Tincher*