



# LAPLAWD

## Fall 2016 Newsletter



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LA PLATA ARCHULETA WATER DISTRICT

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La Plata Archuleta Water District

WATER ON THE WAY

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## WATER ON THE WAY

• Why is it Taking So Long?

• Fill Station to be Constructed this Year

• District Members Can Get up to 3,000 Gallons Free

• Bayfield Treatment Plant Expansion to be Complete

• Property Owners Include Property in Water Districts

• Tentative Pipe Laying Map

### Why is it Taking So Long?

Many people have asked "When will the water line be constructed to my property and why is it taking so long?". The simple answer is money. The District is, for the most part, a pay as we go organization. We only build pipelines as we have the money to pay for it.

Like many other governmental organizations in the County (think school districts, fire districts, the County itself) our primary source of revenue is property taxes on real property and natural gas production. The production of natural gas makes up the majority of our tax revenue, about 70 to 80 percent. When the District was first formed in 2007/2008 the average price of natural gas had been running between \$6.75 and \$8.86 per million btus. To fund the District, the registered voters in the District approved a 5 mil tax levy in 2010, which would have generated between \$4 and \$5 million dollars per year if the price of natural gas had stayed steady at the 2006/2008 prices.

Unfortunately, because the price of natural gas was at a high level for a number of years, more exploration and production began throughout the United States. This put a glut of natural gas on the market and in 2009 the price began to drop. Between 2009 and 2015 the average price has been between \$2.63 and \$4.39. This also led to a reduction in the amount of natural gas that was being produced in La Plata County. The taxes on natural gas production are based on both price and amount of gas produced that year.

A comparison of the average price of natural gas, the estimated annual income during the formation of the District and the actual annual income to the District after formation is shown below. The taxes on real property for one year are received the following year by the District and the taxes on natural gas are received two years later. For example, the taxes on real property for 2010 and for gas production in 2009 were received by the District in 2011.

### Average Price of Natural Gas Compared to District Property Tax Income

Year <sup>1</sup>	Average Price of Natural Gas <sup>2</sup>	Estimated Tax Income to District <sup>3</sup>	Actual Tax Income to District <sup>3</sup>
2006	6.75		
2007	6.97		
2008	8.86	4,000,000	
2009	3.95	4,100,000	
2010	4.39	4,940,000	
2011	4.00		2,582,825
2012	2.75		3,037,942
2013	3.73		2,748,969
2014	4.39		1,963,351
2015	2.63		2,238,777
2016			2,563,619

<sup>1</sup> Year taxes received by District

<sup>2</sup> Based on the Henry Hub Spot Price \$ per million Btu. The actual price received at the wellhead in La Plata County is lower.

<sup>3</sup> Includes both real property tax revenue and taxes on gas production.

Because the District currently has only a small number of customers relative to what we expect to have at build-out, the costs to operate the District are currently paid for primarily from the property tax revenue. This means that with a reduction in revenue, and operating costs remaining relatively fixed, there is less money available for the construction of pipelines. As more customers hook up to the system, the operating costs will increasingly be paid from monthly service charges. This will allow more of the tax revenue to be used for building pipelines.

To date, the District has constructed

15.41 miles of pipelines at a cost of about \$6 million, which includes design and permitting, spent an additional \$340,000 on the design and permitting of future pipelines, paid for the design and construction of an expansion to the Bayfield Water Treatment Plant in the amount of \$8 million (of which \$5 million was financed with bonds), purchased properties for future storage tanks and office/shop for \$365,000, has paid bond issuance expenses and debt service (principal and interest payments) of \$1.3 million, and has approximately \$2.5 million in the bank.

Even though it will take longer to build the whole system than originally anticipated the District is committed to completing its mission to "finance, construct, operate, and maintain a public water system for southeast La Plata County in order to provide reliable and safe potable water and fire flow".

## Fill Station to be Constructed this Year

The District is scheduled to construct its first bulk water fill station this year. It will be located at the property the District purchased for its future headquarters at 4944 County Road 311. This is one mile south of Highway 172 on County Road 311.

The fill station will have both an overhead port and a side connection that allows you to use a quick connect hose to fill the tank. The system will allow the user to enter a User ID and PIN. You then enter the amount of water you want at that time. Customers would then be billed monthly for their water use. The system won't be set up to accept cash or credit cards.

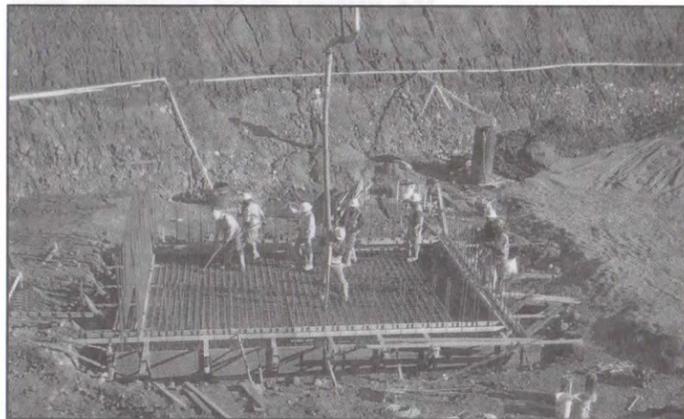
In the near future the District is planning to construct another bulk water fill station at the intersection of County Road 225A and Highway 160 on the southeast corner.

## District Members who Haul Water Will Get up to 3000 Gallons Free

The District Board of Directors has adopted a Policy that will allow those property owners who are in the District, paying property taxes to the District and who haul their domestic water to receive up to 3,000 gallons per month free of charge. This policy was implemented to provide a benefit to property owners in the District that do not have access to a District water line. It will also help reduce the amount of water the District has to flush on a monthly basis to maintain water quality. Once the new bulk water fill station is in service this policy will go into effect. Any amount of water over the 3,000 gallons per month will be billed at \$7.60 per 1,000 gallons.

If you are interested in receiving this benefit, give the District your contact information and we will then inform you once the bulk water fill station is in service.

## Bayfield Treatment Plant Expansion to be Complete by End of Summer



First Concrete Placement - September 2015

In April 2015 Integrated Water Systems (IWS) was awarded a \$7.1 million construction contract for the Bayfield Water Treatment Plant Expansion project. As part of an Intergovernmental Agreement between the District and the Town of Bayfield, the District agreed to pay for a one million gallon per day (gpd) expansion to the town's water treatment plant. The District gets a guaranteed 750,000 gpd capacity in the expansion and the Town will supply treated water to the District. This was more cost effective than the District building its own treatment plant and provides a benefit to both the Town and the District.

The project included demolition and upgrades to the intake facilities and Los Pinos Pump

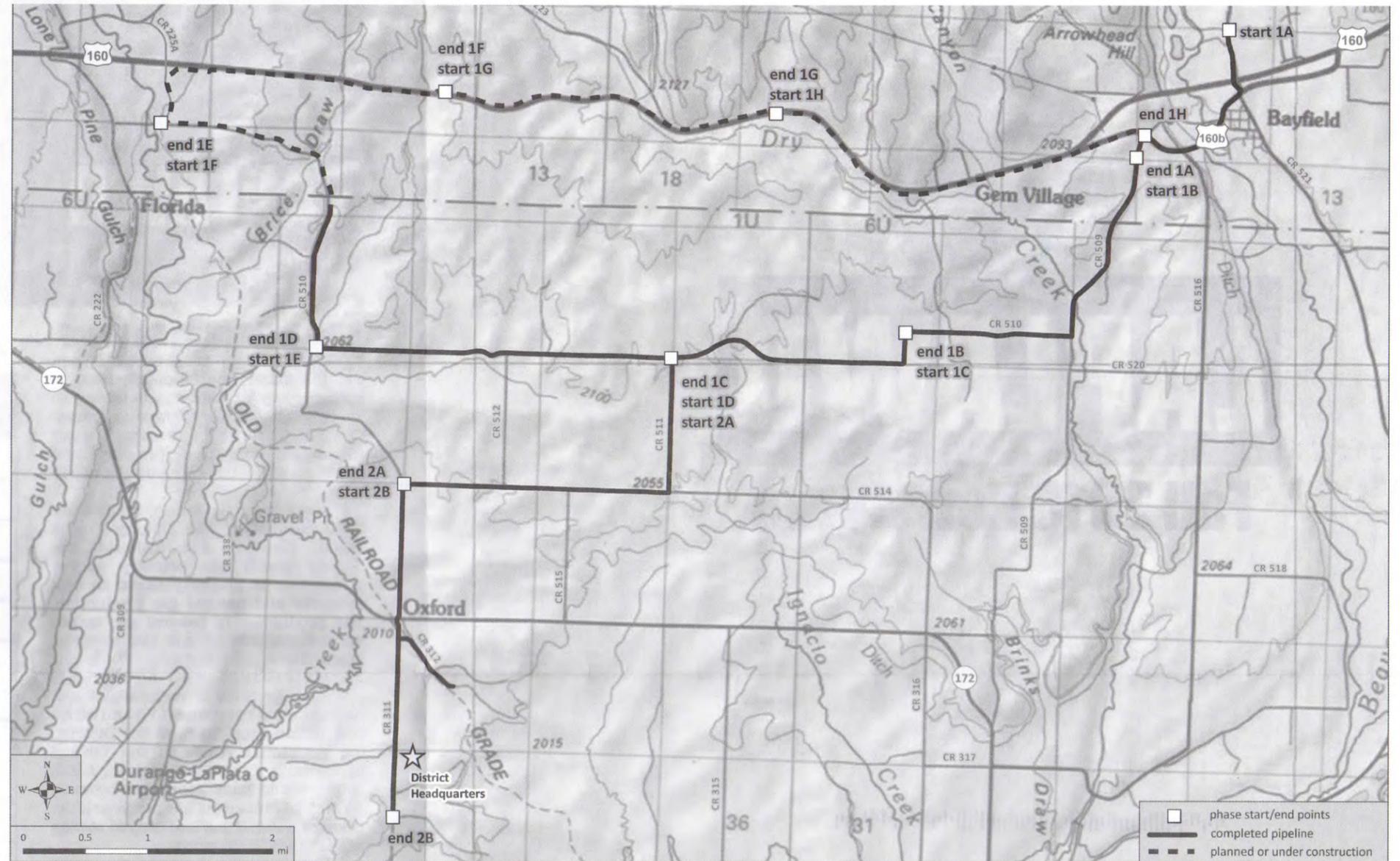


Treatment Plant Almost Complete - July 2016



Process Equipment - where the water is treated.

Station, modifications of the existing plant building, construction of a new water treatment plant, and completion of all the work while the existing plant remained in operation. IWS has worked closely with the Project Engineer, FEI Engineering, to address changes in field conditions and remain on schedule. When IWS was constructing the concrete clearwell, unexpected shallow groundwater was encountered which required the construction of eight wells to dewater the site. IWS quickly mobilized the resources to dewater the site and keep the project on track so that the concrete work could proceed before the onset of winter.



## Property Owners Continue to Include Property Back into Water District

As a Colorado Special District organized under Title 32 of the Colorado Revised Statutes, the La Plata Archuleta Water District has a mechanism to allow property owners that previously excluded their property from the District to include their property back into the District. This mechanism is a Petition for Inclusion that is submitted to the District. The petition is submitted by the property owner to the District prior to a Board meeting. The Board of Directors of the District conduct a public meeting during one of their regularly scheduled Board meetings to receive public comments on the petition. They then decide whether or not to approve the petition. If they approve the petition it then has to be approved by the La Plata County District Court. If approved by the Court, the property is then in the District and subject to the 5 mil property tax levy collected for the District.

To date there have been 25 properties that have petitioned for inclusion with all of them having been approved by the Board and District Court.