

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

| | |
|-----------------------|---------------------------------|
| Department: | Department of Natural Resources |
| Priority Number: | 3 of 18 |
| Change Request Title: | Vehicle Operating Expenses |

SELECT ONE (click on box):

X Decision Item FY 08-09

Base Reduction Item FY 08-09

Supplemental Request FY 07-08

Budget Request Amendment FY 08-09

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

Not a Supplemental or Budget Request Amendment

An emergency

A technical error which has a substantial effect on the operation of the program

New data resulting in substantial changes in funding needs

Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Division of Water Resources requests seven new vehicles and additional General Funds of \$88,417 in FY 2008-09 and \$85,925 in FY 2009-10 and subsequent years to pay increased vehicle operating costs to allow the agency to provide critical water administration and public safety work at the same level of service as historically provided by the Division. This request is presented following recent and continuing increases in mileage operating rates for vehicles driven by Division employees.

Background and Appropriation History:

During FY 2008-09, the Division of Water Resources expects its employees to drive over 2.3 million miles to satisfy statutory responsibilities for water administration and public safety work. The majority of the mileage costs are incurred by Water Commissioners. The purpose of their field work is nothing less than enforcing Colorado water laws. This work, often in remote locations, ensures that owners of senior water rights who are in priority and wanting water receive their water, and those who are out of priority do not.

This process is accomplished by daily visits to headgates, and involves making adjustments to headgate settings to ensure delivery of the proper amount of water to a

ditch; it may include application of a chain and lock, directing that no change is to be made by others. The Water Commissioner is required to prepare records of water diversions and changes, and headgate settings may be adjusted more than once daily. In addition, Water Commissioners are responsible for the accounting and administration of augmentation plans per court decree; the Water Commissioner must conduct field inspections to ensure that the water subject to augmentation is delivered at the proper time location and amount to prevent injury to others. Water Commissioners also assist dam safety engineers by performing field inspections of dams to insure the integrity, level of construction, or safety of the structure. Water Commissioners also perform field inspections to evaluate the accuracy and validity of water court applications. They are called upon to assist hydrographers in stream flow measurements. Well enforcement requires travel to verify the integrity of well metering systems, and to ensure that well owners not entitled to pump are in compliance.

Approximately 50 % of the Water Commissioners (55 employees) do not have access to state-owned vehicles and are required to provide a personal 4-wheel drive vehicle as a condition of employment. The agency reimburses those employees for their mileage. During the 2006 legislation session, the General Assembly authorized an increase in mileage reimbursement rates. From May of 2006 to January of 2008, rates for 4-wheel drive vehicles will increase by a total of 44%, without a comparable increase in funding.

Given the substantial increase in mileage rates, the Division investigated the feasibility of leasing vehicles from State Fleet Management for the highest mileage employees, believing that it would be less expensive than paying mileage reimbursement. The Division determined that economies can be realized on a limited basis, and has prepared a request for seven new leased vehicles.

Beginning July, 2007, State Fleet Management increased mileage operating rates by 5.7% for State-owned vehicles driven by the Division. State-owned vehicles are used by 50% of the Water Commissioners and most field personnel dedicated to the dam safety program, satellite monitoring program, hydrographic program, and well inspection program.

The detailed proposal that follows requests changes to the Division's budget for three purposes:

1. Acquisition of seven new vehicles to reduce projected operating costs.
2. Funding to compensate for the rate increase in mileage reimbursement for personal vehicles.
3. Funding to compensate for the recent rate increase for State-owned vehicles.

General Description of Request:

A. Request for New Vehicles

The Division of Water Resources is requesting seven new leased vehicles for six Water Commissioners (working in Water Divisions 3, 5, 6, and 7) and the Chief of the Hydrography Program. The vehicles requested should be small SUV's, comparable to a Jeep Liberty.

A condition of employment for water administrators is that they own and operate a vehicle in order to fulfill the responsibilities and duties of their position. The Division reimburses employees for the use of their personal vehicles, based upon a rate established by the Internal Revenue Service. Given the recent increases in reimbursement rates for personal vehicle mileage, it is more economical to lease small SUV's for high-mileage field personnel.

The Division has estimated that any employee driving their personal 4-wheel drive vehicle over 12,372 miles per year (or, a 2-wheel drive vehicle over 13,573 miles per year) is incurring operating expenses in excess of the projected cost to lease a small SUV from State Fleet Management. There are a total of nine employees in the agency who meet this criterion. The Division determined that a small SUV is not suitable for two of these employees, given the nature of their field work; these individuals need ½ ton pickup trucks. Since fuel and maintenance costs for pickup trucks are higher than small SUV's, staff was unable to demonstrate any cost savings in using pickups, and consequently eliminated two possible candidates from the analysis. The employees for whom an SUV is suitable drive between 12,589 and 18,530 miles per year. Acquisition

of seven new vehicles generates a net decrease in expense for the agency, as demonstrated in **Table A** (Reference Calculations for Request Section). This request generates a net savings in General Funds of \$1,246 in FY 2008-09 and of \$3,738 in FY 2009-10 and subsequent years.

B. Request to Fund Rate Increase for Miles Driven by Employees using Personal Vehicles

During the 2006 legislative session, S.B. 06-173 was enacted to increase the reimbursement rate to state employees who must use their personal vehicles to perform their job responsibilities. Mileage rates were increased in phases, based upon the prevailing Internal Revenue Service (IRS) mileage rate. The reimbursement rates for State employees are:

| Effective | 2-wheel drive rate per mile | 4-wheel drive rate per mile |
|-----------|-----------------------------|-----------------------------|
| 6/01/2006 | 75% of IRS rate: \$.33 | 80% of IRS rate: \$.36 |
| 1/01/2007 | 80% of IRS rate: \$.39 | 85% of IRS rate: \$.41 |
| 1/01/2008 | 90% of IRS rate: \$.44 | 95% of IRS rate: \$.46 |

Prior to enactment of SB06-173, State employees were paid \$.28 per mile for 2-wheel drive mileage and \$.32 per mile for 4-wheel drive mileage. The increase in mileage rates requires new, incremental operating expenditures for the Division of Water Resources. Mileage reimbursement costs were projected to exceed FY 2004-05 levels by the following amounts:

FY 2006-07: \$54,024

FY 2007-08: \$93,553

FY 2008-09: \$62,599

The Division submitted a fiscal note following the introduction of SB 06-173. The legislature determined that incremental expenses should be absorbed within existing resources.

The majority of the increase in mileage costs is incurred by water commissioners who are required to drive their 4-wheel drive vehicles to perform basic water administration duties. There are approximately 55 Water Commissioners (50% of the Water Commissioner staff) in the Division who do not have access to state-owned vehicles for required field work. The remaining expenses for the use of 2-wheel drive vehicles are incurred primarily by management and engineering staff for several purposes: travel to supervise and assist field employees and to perform field work; travel to attend public meetings organized for the benefit of water users throughout the state; travel required to attend interstate compact meetings.

Table B (Reference Calculations for Request Section) documents the impact to the agency's operating line over time. The Division used FY 2004-05 as the base operating period for two reasons: (1) the preparation of a fiscal note for the relevant legislation required use of that year as the operating base, and the agency wished to maintain consistency (2) the legislation became effective during the final month of FY 2005-06; consequently, the use of FY 2005-06 as a base year does not provide for an accurate assessment of impact during a period when multiple mileage rates were in effect. It must be noted that the Division adjusted the base mileage for FY 2008-09, following approval of decision items during the spring of 2007. The General Assembly approved the acquisition of several new vehicles, thus reducing the projected miles driven in personal vehicles.

The Division implemented a one-year plan during of FY 2006-07 to pay additional mileage operating expense of \$54,024. This was accomplished by effectively reducing other operating expenditures by the same amount. Specifically, a projected \$42,131 in operating expense was eliminated from the operating budget to pay necessary consulting expenses for the ground water monitoring program. The nature of these expenses is such

that they can be classified as an operating or personal service expense. The Division was able to pay these expenses from the personal services budget for one year, only. This plan was feasible because the Division experienced significant vacancy savings that year that could be used to finance this additional expense. Specifically, DWR was granted spending authority to hire 11.5 new FTE, beginning July 1, 2006. It was not possible to recruit these new employees on schedule, and, consequently, savings accrued during the fiscal year.

The Division was notified on December 14, 2006 of a four cent increase in the IRS mileage rate. This change required a further reduction in the operating budget of \$11,893 for FY 2006-07. The Division implemented the following adjustments at mid-year:

- Deferred replacement of four computers for a value of \$4,000 in savings. The Division adheres to a standard hardware maintenance schedule that requires replacement of aging and obsolete computer equipment every year. Although this action placed additional burdens on the replacement budget for the next fiscal year, staff determined this change could be implemented for one year only without serious impact to the IT infrastructure.
- Deferred needed office upgrades in the Denver office for one year. The Division intended to spend \$3,800 to replace some window blinds that are over 20 years-old, and are functioning poorly. This work will be delayed until FY 2008-09.
- Realized approximately \$4,000 in savings from increased use of state-owned vehicles. During the spring and summer of 2006, the Division received 33 replacement vehicles for its fleet of state-owned vehicles. This number represents three times the agency's normal replacement rate. Due to budget constraints in previous years, no replacements were possible during the previous two fiscal years for agencies financed with General Funds. Given the unusually high number of replacement vehicles received across the state during 2006, Fleet management preferred that the agency delay the turn-in of vehicles that were still functional, because of limited space on Fleet's lot. DWR was able to

temporarily assign these vehicles for several months to water commissioners who normally are required to drive their personal vehicles. The Division reimbursed Fleet for mileage at the rate of \$.30 per mile, rather than paying employees \$.36 per mile. This action generated approximately \$4,000 in savings.

All of the above actions represent one-time reductions that cannot be repeated in future years.

During FY 2007-08 the Division financed the increased cost for one year only by using excess reserves in the Ground Water Management Cash Fund. By the beginning of FY 2008-09, sufficient excess cash reserves will no longer exist. Thus, the Division seeks \$62,599 in General Funds to pay for the rate increase. Without increased funding, the Division must reduce miles driven by Water Commissioners by a total of 138,599 miles. This action would precipitate illegal diversion of water, and jeopardize the Division's ability to satisfy interstate compact obligations.

C. Request to Fund Increase in Fleet Mileage Rates

At the beginning of FY 2007-08, State Fleet Management increased variable mileage rates to compensate for increases in fuel and maintenance costs for state-owned vehicles. The agency is requesting a permanent increase of \$27,064 in operating appropriation, beginning in FY 2008-09, and intends to submit a supplemental request for comparable funding for FY 2007-08.

The effects of the mileage increase vary across major areas of the agency, since the Division of Water Resources uses a different mix of vehicle classes in each area. Variable mileage percentage increases across vehicle classes are not the same. Specifically, Water Resources uses SUV's, pickup trucks, and passenger vans. The rate increases for these categories of vehicles are 4.9%, 5.7%, and 5.8%, respectively. The Division calculated the incremental cost for each vehicle in the Division's Fleet. **Table C**

(Reference Calculations for Request Section) demonstrates this impact by major area of the agency.

Without increased funding, there will be a reduction in water diversion observations, precipitating illegal diversions (theft) of water by junior water rights owners.

Other mission critical functions of the agency will be impacted, as well. The reduction in mileage will impact the effectiveness of the hydrographic program stream flow measurement and water year stream flow and water diversion records, real-time satellite transmission of stream flow data, the dam safety program, safe storage level determination and new project approval, and field inspections required under the well inspection program.

Hydrographic Measurements

The hydrographic program is a comprehensive hydrographic system that conducts stream flow measurements at various sites along the State's natural rivers and creeks to determine the amount of water available at that location for distribution to water users. These flow measurements are determined with equipment in river gauging stations that measure the depth and flow of a river/stream on a continual basis. This information is useful to produce/publish annual stream flow records that describe the mean daily stream flow, the instantaneous maximum, lowest mean stream flow, and monthly/ annual volumetric totals for a specific river location. The information and records are used to improve administration of water rights, monitor plans of augmentation to prevent injury to senior water rights, monitor and account for water delivery of reservoir storage, and collection, breakdown and analysis of complex data from municipalities and other water users for short and long-term planning.

The reduction in available mileage results in reduced measurement and stream flow data collection in every river basin throughout Colorado. The stream flow measurements provide a time-specific quantification of water available at a particular point and are used to effectively administer water. There is increasing scrutiny of Colorado's administration of water and compact deliveries with an eye toward gaining water for downstream states. An

over-delivery of water to downstream states injures Colorado citizens through missed opportunity for beneficial use of that water. An under-delivery could cause interstate litigation to be initiated by the downstream States or the Federal Agencies. Stream flow measurements are also used as a calibration tool to adjust for changing streambed conditions that naturally occur due to seasonal flow fluctuations. The ability to maintain stream gauging stations, which are located at important hydrologic locations throughout the state, would be reduced. These gauging stations contain data recorders that continuously monitor the change in river depth that is used to calculate the mean daily stream flow. This data is extremely valuable to support water management decisions and to provide current conditions and comparison with long-term data.

Satellite Monitoring System

The satellite-linked monitoring system (SMS) provides the Division of Water Resources, other state and federal entities, and the water user community with access to real-time and historic stream flow data from gauging stations across the State of Colorado. These data and software systems provide for more effective water rights administration, water resource management, computerized hydrologic record development, and flood warning. The SMS allow the Division of Water Resources to collect, process, store, and distribute any kind of environmental data transmitted from remote locations. The data set of interest to the Division is the water level at rivers, streams, diversion structures, and reservoirs. The SMS converts these raw water level values into several “products” of use to various “clients”. The “products” range from raw data passed on to other computer systems to the official Hydrographic Records of mean daily stream flows. Our “clients” include Division of Water Resources personnel and other water users wanting real-time administrative data, computer systems performing other analyses, and the varied user community of state and federal agencies, municipalities, canal companies, attorneys, and consulting engineers needing access to real-time and historic stream flow data.

This reduction in travel due to the increased mileage rate, if it continues indefinitely, creates hardship in maintaining the satellite monitoring system. This is a comprehensive system of remote-sensing equipment that is housed in river gauging stations that provide near-instantaneous stream flow information via satellite relay. The purpose of this satellite

monitoring system is twofold: This system is used to provide real-time stream flow data to water users and Water Commissioners via electronic access to current stream flow information; this allows our Water Commissioners to monitor fluctuating water supply conditions, thus promoting efficiency in water administration and distribution. The remote monitoring system also serves as an advance warning system to alert officials of imminent flooding conditions. It has become a valuable tool in making real-time adjustments based on ever-changing stream flow conditions, especially in times of scarce water supply.

Intangible benefits are centered on the reliance that water users have upon an unbiased state authority to regulate water supplies in strict accordance with water right decrees and Interstate Compacts. This reliance has a proven record of lessening dissension among competitive water users and the potential for contentious/unnecessary litigation between water users or downstream states.

Dam Safety

The mission of the Dam Safety program is to prevent loss of life, prevent and/or reduce property damage, and to protect the State's water supplies from the failure of dams. The Dam Safety program assures a safe environment related to the design, construction, and operation of dams and reservoirs in accordance with Section 37-87-101 through 125, C.R.S. (2007) and Rules and Regulations for Dam Safety and Construction. The program includes the enforcement of a comprehensive set of regulations, policies, and procedures for the construction and maintenance of dams, the safe operation of reservoirs, and emergency preparedness. The safe storage level is determined by the review and approval of engineered plans for the construction and repair of dams, and regular safety evaluations of existing dams and reservoirs by professional engineers.

Reduction in the ability to perform the necessary duties of the Dam Safety program increases the risk of dam failure resulting in potential loss of life and property damage. In addition, program reduction is likely to result in the construction of dams and reservoirs by unlicensed engineers, non-engineers and engineers without the necessary knowledge, experience and skill to design and construct these high-risk structures. A portion of the existing dams will

not be maintained or will be maintained at a significantly lower level resulting in increased failure incidents threatening life, property and water storage.

Well Construction

The mission of the Division of Water Resources and the Board of Examiners for Water Well Construction and Pump Installation Contractors is the protection of the groundwater resources and public safety. This is accomplished through the proper licensing of contractors and the development and enforcement of rules and regulations for the proper construction of water wells, monitoring and observation wells, and pump installation. The Division of Water Resources and the Board of Examiners for Water Well Construction and Pump Installation Contractors, in accordance with Section 37-91-101 through 112, C.R.S. (2007) are responsible to safeguard the public health and to protect and preserve the groundwater resources of the State of Colorado. The Board promulgates and enforces water well construction rules related to the minimum construction standards for water wells, monitoring wells and pump installation and administrative rules regarding licensure, disciplinary action and correction of improperly constructed wells.

A significant curtailment of mileage to perform construction inspections could result in improperly constructed wells, improperly abandoned wells, and improperly installed pumps resulting in greater risk of groundwater contamination, water contamination, disease, well contamination, and increased number of open and illegal wells. All of these factors increase risk and reduce protection of the public's safety.

Consequences if not Funded:

- A. The Division will lose the ability to reduce General Fund spending by \$1,246 during FY 2008-09 through the purchase of seven new vehicles
- B. If no funding is allowed for increased vehicle operating cost, the Division will be required to reduce miles driven by 227,900 miles. If the Division of Water Resources is required to take that action, this equates to requiring all field staff to "park" their vehicles for 1 day during every 10 working days, thus eliminating 10% of their field enforcement activities for the entire water season. Should this occur, the reduction in water diversion observations will precipitate illegal diversions (theft) of water by junior water rights

owners. All water divisions were asked to project the quantity of water theft likely, under this scenario. Their research projects a potential theft of 134,960 acre-feet of water. This water is valued at \$66.67 per acre-foot. The estimate of value is based upon the assumption that one acre of irrigated land will generate \$200 in income from crop production; one acre of irrigated land typically uses 3 acre-feet of water. At \$66.67 per acre-foot, the estimated value of total crop production lost to the senior water rights owners equals the value of the water, \$8,997,783 per year. In addition, lack of adequate field enforcement activities threatens the ability of this agency to assure compliance with interstate compact requirements; this could expose the State to future litigation activities.

Calculations for Request:

| Summary of Request FY 08-09 | Total Funds | General Fund | Cash Funds | Cash Funds Exempt | Federal Funds | FTE |
|---|--------------------|---------------------|-------------------|--------------------------|----------------------|------------|
| A. Acquisition of new vehicles | (1,246) | (\$1,246) | \$0 | \$0 | \$0 | 0.0 |
| B. Finance rate increase for personal mileage | \$62,599 | \$62,599 | \$0 | \$0 | \$0 | 0.0 |
| C. Finance rate increase for state-owned vehicles | \$27,064 | \$27,064 | \$0 | \$0 | \$0 | 0.0 |
| Total | \$88,417 | \$88,417 | \$0 | \$0 | \$0 | 0.0 |

| Summary of Request FY 09-10 | Total Funds | General Fund | Cash Funds | Cash Funds Exempt | Federal Funds | FTE |
|---|--------------------|---------------------|-------------------|--------------------------|----------------------|------------|
| A. Acquisition of new vehicles | (\$3,738) | (\$3,738) | \$0 | \$0 | \$0 | 0.0 |
| B. Finance rate increase for personal mileage | \$62,599 | \$62,599 | \$0 | \$0 | \$0 | 0.0 |
| C. Finance rate increase for state-owned vehicles | \$27,064 | \$27,064 | \$0 | \$0 | \$0 | 0.0 |
| Total | \$85,925 | \$85,925 | \$0 | \$0 | \$0 | 0.0 |

Table A-Acquisition of new Vehicles

| | | (A) | (B) | (C) | (D) | | |
|-----------------------------------|--------------------------|---------|---------------|---------------|---------------|------------------|-----------------|
| | | | Personal | | Operating | FY 2008-09 | FY 2009-10 |
| Line Item | | Annual | Vehicle | Fleet | Savings | Budget | Budget |
| | | Mileage | Rate per mile | Rate per mile | Rate per mile | Request | Request |
| | | | | | | (4 months) | |
| | | | | | | -A*D*(4/12) | -A*D |
| Operating Expense | | | | | | | |
| | Division 3 Commissioner | 18,530 | \$0.46 | 0.234 | 0.226 | (\$1,396) | (4,188) |
| | Division 5 Commissioner | 15,515 | \$0.46 | 0.234 | 0.226 | (\$1,169) | (3,506) |
| | Division 5 Commissioner | 12,922 | \$0.46 | 0.234 | 0.226 | (\$973) | (2,920) |
| | Division 6 Commissioner | 16,933 | \$0.46 | 0.234 | 0.226 | (\$1,276) | (3,827) |
| | Division 7 Commissioner | 13,701 | \$0.46 | 0.234 | 0.226 | (\$1,032) | (3,096) |
| | Division 7 Commissioner | 12,589 | \$0.46 | 0.234 | 0.226 | (\$948) | (2,845) |
| Total Operating | | | | | | (\$6,794) | (20,382) |
| Satellite Monitoring | | | | | | | |
| | Chief Hydrographer | 14,212 | \$0.44 | 0.234 | 0.206 | (\$976) | (2,928) |
| Total Satellite Monitoring | | | | | | (\$976) | (2,928) |
| Vehicle Lease | | | | | | | |
| | 7 vehicles @ \$233/month | | | | | \$6,524 | 19,572 |
| Total Vehicle Lease | | | | | | \$6,524 | 19,572 |
| Total Budget Request | | | | | | (1,246) | (3,738) |

Table C-Funding of Rate Increase for State-Owned Vehicles

| LOCATION | Annual miles | \$Cost (new) | \$/Cost (old) | \$ Increase |
|---|---------------------|---------------------|----------------------|--------------------|
| Division 1 | 359,504 | \$108,908 | \$103,165 | \$5,743 |
| Division 2 | 365,802 | \$112,345 | \$105,886 | \$6,459 |
| Division 3 | 320,180 | \$100,356 | \$94,996 | \$5,360 |
| Division 4 | 146,524 | \$41,527 | \$39,394 | \$2,133 |
| Division 5 | 159,165 | \$48,569 | \$45,993 | \$2,576 |
| Division 6 | 70,167 | \$21,424 | \$20,291 | \$1,133 |
| Division 7 | 112,690 | \$34,754 | \$32,908 | \$1,846 |
| Denver | 126,181 | \$35,270 | \$33,456 | \$1,814 |
| TOTAL Budget Request | 1,660,213 | \$503,153 | \$476,089 | \$27,064 |
| MILAGE REDUCTION NECESSARY TO MAINTAIN HISTORICAL COST | | | | 89,301 |

Assumptions for Calculations:

Table A: Acquisition of New Vehicles

Annual mileage statistics represent actual miles driven during calendar year 2006 by individual Water Commissioners.

The variable mileage rate of \$.234/mile was established by State Fleet Management for small SUV's, effective July 1, 2007.

It is assumed that new vehicles will be acquired March 1, 2009.

Vehicle lease costs assume a purchase price of \$21,000 per vehicle, an interest rate of 6%, and a lease term of 10 years.

Table B: Funding of Rate Increase for Personal Mileage

Miles driven is based upon actuals for FY 2004-05 (in conformance with fiscal note drafted for SB 06-73), and adjusted for personnel added as a result of subsequently approved decision items. This analysis also assumes that the acquisition of seven new vehicles (**Table A**) will be approved; if this does not occur, then the projected net mileage operating expense for the Division will increase.

Budget request of \$62,599 is based upon the assumption that the prevailing I.R.S. reimbursement rate of \$.485 per mile will not change during FY 2008-09 and FY 2009-10. I.R.S. adjustments could occur every Jan 1.

Table C: Funding of Rate Increase for State-Owned Vehicles

Annual miles represent actual mileage reported by Divisions for FY 2005-06. Costs have been calculated on an individual basis for each vehicle driven (different classes of vehicles are assessed different rates).

The difference in costs is based upon Fleet vehicle mileage rates in effect during FY 2006-07 and FY 2007-08.

Impact on Other Government Agencies: Not Applicable

Cost Benefit Analysis:

The net cost of funding this request equals \$88,417 (please refer to the Calculations for Request section for full table.) Approval of the request to acquire seven new vehicles yields a reduction in General Funds cost of \$1,246 during FY 2008-09.

The selected benefit technique is to compare the cost of the request to the benefit to allow water commissioner's to adequately administer water. The benefits are measured through the avoided loss of crop production. The cost benefit analysis is calculated as the value of lost crop production divided by the requested amount of funding. Following is a description.

Lost Crop Production

If no funding is allowed for increased vehicle operating cost, the Division will be required to reduce miles driven by 227,900 miles, equating to a potential theft of 134,960 acre-feet of water, valued at \$66.67 per acre-foot. The estimate of value is based upon the assumption that one acre of irrigated land will generate \$200 in income from crop production; one acre of irrigated land typically uses 3 acre-feet of water. At \$66.67 per acre-foot, the estimated value of total crop production lost to the senior water rights owners equals the value of the water, \$8,997,783 per year.

Increased Mileage Rates

The cost of acquiring new vehicles (-\$1,246) is added to the rate increase for personal mileage (\$62,599) plus the rate increase for state owned vehicles (\$27,064).

Cost Benefit Ratio

Approval for funding of increased mileage rates yields a cost/benefit ratio of 102:1. This represents the net benefit (\$8,997,783) divided by the net cost of funding the increased mileage rates (\$88,417).

$$\$8,997,783/\$88,417 = 102:1$$

Implementation Schedule:

| Task | Month/Year |
|---|-------------------|
| Prepare specifications for 7 new vehicles | December, 2008 |
| Fleet Management orders new vehicles | January, 2009 |
| New vehicles are delivered and assigned to field personnel | March, 2009 |
| Funding is available for increase in vehicle operating expenses | July, 2009 |

Statutory and Federal Authority:

37-61-101. C.R.S. (2007). Colorado River Compact

37-62-101. C.R.S. (2007). Upper Colorado River Compact

37-63-101. C.R.S. (2007). La Plata River Compact

37-64-101. C.R.S. (2007). Animas-La Plata Project Compact

37-65-101. C.R.S. (2007). South Platte River Compact

37-66-101. C.R.S. (2007). Rio Grande River Compact-

37-67-101. C.R.S. (2007). Republican River Compact- Ratification, purpose, and articles of compact.

Article IX

It shall be the duty of the three states to administer the compact through the official in each state who is now or may hereafter be charged with the duty of administering the public water supplies, and to collect and correlate through such officials the data necessary for the proper administration of the provisions of this compact. Such officials may, by unanimous action, adopt rules and regulations consistent with the provisions of this compact.

37-68-101. C.R.S. (2007). Amended Costilla Creek Compact

37-69-101. C.R.S. (2007). Arkansas River Compact

37-80-104. C.R.S. (2007). Water Rights and Irrigation

The state engineer shall make and enforce such regulations with respect to deliveries of water as will enable the state of Colorado to meet its compact commitments. In those cases where the compact is deficient in establishing standards for administration within Colorado to provide for meeting its terms, the state engineer shall make such regulations as will be legal and equitable to regulate distribution among the appropriators within Colorado obligated to curtail diversions to meet compact commitments, so as to restore lawful use conditions as they were before the effective date of the compact insofar as possible.

37-81-101. C.R.S. (2007). Diversion of Waters from State

37-82-101. C.R.S. (2007). Appropriation and Use of Water

37-83-101. C.R.S. (2007). Exchange of Water and Transfer from One Stream to Another

37-84-116. C.R.S. (2007). Responsibility of User and Owner (Administration of the Diversion and Measurement of Water) - Control of headgates and weirs.

All headgates, measuring weirs, flumes, and devices used in connection with canals, flumes, and ditches or reservoirs for the measuring and delivering of waters therefrom and thereto shall be under the supervision and control at all times of the state engineer and the division engineer of the water division wherein such headgates, measuring weirs, flumes, and devices are located. . .

37-87-101. C.R.S. (2007). Reservoirs

37-88-101. C.R.S. (2007). State Canals and Reservoirs

37-89-101. C.R.S. (2007). Offenses

37-90-110 (1) (a-g). C.R.S. (2007). Underground Water- Powers of the state engineer.

(1) In the administration and enforcement of this article and in the effectuation of the policy of this state to conserve its ground water resources and for the protection of vested rights, the state engineer, either in the state engineer's own capacity or as the executive director of the commission, is empowered:

(a) To require all flowing wells to be equipped with valves so that the flow of water can be controlled;

(b) To require both flowing and nonflowing wells to be so constructed and maintained as to prevent the waste of ground waters through leaky wells, casings, pipes, fittings, valves, or pumps, either above or below the land surface;

(c) To go upon all lands, both public and private, for the purpose of inspecting wells, pumps, casings, pipes, fittings, and measuring devices, including wells used or claimed to be used for domestic or stock purposes;

(d) To order cessation of the use of a well pending the correction of any defect that the state engineer has ordered corrected;

(e) To commence actions to enjoin the illegal operation or excavation of wells or withdrawal or use of water therefrom and to appear and become a party to any action or proceeding pending in any court or administrative agency when it appears that the determination of such action or proceeding might result in depletion of the ground water resources of the state contrary to the public policy expressed in this article or might injure vested rights of other appropriators;

(f) To take such action as may be required to enforce compliance with any regulation, control, or order promulgated pursuant to the provisions of this article;

(g) To issue to the owners or users of wells pumping designated ground water in the state such orders as are necessary to implement provisions of this section and section 37-90-111. In addition to any other method of giving notice, the mailing of the order in a certified letter to the well owner or operator, together with the posting of a written order, in plain sight, at the well head, shall be considered sufficient notice of the order of the state engineer, and, when so posted, the order shall be effective from the time of posting.

37-91-101. C.R.S. (2007). Water Well Construction and Pump Installation Contractors

37-92-301 (1). C.R.S. (2007). Water Right Determination and Administration-
Administration and distribution of waters.

(1) The state engineer shall be responsible for the administration and distribution of the waters of the state and, in each division, such administration and distribution shall be accomplished through the offices of the division engineer as specified in this article.

37-92-501 (1). C.R.S. (2007). Water Right Determination and Administration-
Jurisdiction over water- rules and regulations.

(1) The state engineer and the division engineers shall administer, distribute, and regulate the waters of the state in accordance with the constitution of the state of Colorado, the provisions of this article and other applicable laws, and written instructions and orders of the state engineer, in conformity with such constitution and laws, and no other official, board, commission, department, or agency, except as provided in this article and article 8 of title 25, C.R.S., has jurisdiction and authority with respect to said administration, distribution, and regulation. . . The state engineer may adopt rules and regulations to assist in, but not as a prerequisite to, the performance of the foregoing duties.

Performance Measures:

| Performance Measure | | FY 05-06 Actual | FY 06-07 Actual | FY 07-08 Appropriation | FY 08-09 Request |
|---|-----------|------------------------|------------------------|-------------------------------|-------------------------|
| DNR Performance Measure #3 - Overall compliance with interstate water compacts (expressed as a percentage) | Benchmark | 100% | 100% | 100% | 100% |
| | Outcome | 90% | 90% | | |
| <p>It is critical that the State of Colorado meet its contractual water delivery obligations for each of its nine compacts, two United States Supreme Court decrees and interstate water allocation agreements while simultaneously protecting the right of Colorado to develop its full interstate compact apportionment.</p> <p>DNR will provide an annual tabulation that quantifies the water allocation and the subsequent delivery obligation for each compact to assess compact compliance in terms relevant to that specific compact. The performance measure for each compact and interstate agreement will assess overall compliance with the compact for each year. For the year 2006, the State of Colorado was in compliance with both U.S. Supreme Court Decrees and seven of its interstate river compacts. Colorado was out of compliance with the Republican River Compact and the Animas-La Plata Compact was deemed non-operational.</p> | | | | | |

| <u>Performance Measure:</u> <u>Water Administration Effectiveness</u> | <u>Outcome</u> | <u>FY 05-06 Actual</u> | <u>FY 06-07 Actual</u> | <u>FY 07-08 Approp.</u> | <u>FY 08-09 Request</u> |
|---|-----------------------|-------------------------------|-------------------------------|--------------------------------|--------------------------------|
| DWR-1: Capture and Reuse of Water¹ | Benchmark | >3.0 | >3.0 | >3.0 | >3.0 |
| | Actual | 2.44 | 3.14 | | |
| <p>Narrative: Due to its natural topography and hydrology, the State of Colorado attempts to optimize the limited and temporal availability of water supplies by successive reuse of water. Succinctly, the majority of the total amount of water diverted from a stream is applied to its decreed beneficial use or consumed through natural evaporation. However, a portion also returns to the stream system for subsequent diversion and use by downstream appropriators. One performance measure of overall effectiveness of water management is the capture and use of these return flows as they successively cascade from the mountains to the prairies before eventually leaving the state.</p> | | | | | |

¹ This is essentially the water in Colorado diverted and stored compared to water exiting the state. The performance measure is expressed as a ratio.

| <u>Performance Measure:</u> <u>Water Administration and Enforcement Activities</u> | <u>Outcome</u> | <u>FY 05-06</u> <u>Actual</u> | <u>FY 06-07</u> <u>Actual</u> | <u>FY 07-08 Approp.</u> | <u>FY 08-09 Request</u> |
|--|-----------------------|--|--|--------------------------------|--------------------------------|
| DWR-2: Effective Distribution and Compliance with Applicable Laws of Water Supplies² | Benchmark | <5.0% | <5.0% | <5.0% | <5.0% |
| | Actual | 3.58% | 3.58% | | |
| <p>Narrative: Water administration is conducted within a regulatory environment in which limited water supplies are distributed in time, amount, and location to adjudicated water rights based upon their respective water right priority and available water supplies. Typical of most regulatory environments, the vast majority of citizens or water users comply with applicable laws. They do so, in part, because of their reliance upon DWR to assure the limited water supplies are indeed being distributed effectively and in compliance with all applicable laws.</p> <p>The trend for this performance measure would decrease over time, showing the effective enforcement of the terms and conditions in water court decrees and well permits.</p> | | | | | |

² This performance measure is the percentage of formal regulatory orders (cease and desist) issued by DWR per year compared to the total number of surface and ground water structures actively diverting water. The performance measure is expressed as a percentage.