Colorado River District
Protecting Western Colorado Water Since 1937

November 10, 2017

Commissioner Rose Pugliese
Mesa County Board of County Commissioners
Department 5010
P.O. Box 20,000
Grand Junction, CO 81502

Commissioner Pugliese:

Following our meeting in your office last Thursday, you emailed me the questions that you have after looking into the River District and its finances. I want to thank you for sharing the list with me and opening the opportunity to address your questions and concerns.

The following is at least an initial response to each of your questions, acknowledging that the water world in which we operate is technically and politically complex and may require additional conversation, which I would welcome.

Subsequent to my receiving your email, I learned that you shared your questions with other River District Commissioners. Accordingly, I will cc them on this response. I welcome and encourage follow-up from any who have concerns.

Questions:

River District has 25 staffers! Do they really need all of those people and what do they all do?

The River District has a staff of 25 for 2018, 23 full-time positions and two part-time positions.

The 25 staff members are in the following departments:

1 – General Manager. As we discussed, the Board recently hired Andy Mueller as the District's new GM to succeed Eric Kuhn, after his 36 years of service and 21 years as General Manager. We're phasing out the full-time Deputy Manager position in early 2018.

10 – Engineering and operations (one part-time). The River District operates and maintains two major reservoirs and has contractual interests for water in two other storage projects (Ruedi and Eagle Park). We use these resources to manage a water marketing program with numerous contracts. This program is one of the only sources of new water for growth and development available on the West Slope.

Additionally, two of the engineering staff are actively engaged in managing and coordinating a program to leverage the recently awarded federal $8 million Regional Conservation Partnership Project grant with $40-50 million from state and other federal sources for improvements to

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existing Reclamation projects within the District. The River District also provides engineering, legal and administrative support to the Kobe Pipeline Project, which provides water for energy and irrigation needs in eastern Mesa County.

3 – Legal Staff. The River District has two in-house attorneys and a paralegal. In early 1981, the River District Board chose to move legal staff in-house (primarily due to conflict issues). Given the complexity of the cases and workload of the legal staff, it proved a wise financial move. The District's General Counsel heads the Legal Department and is hired by and reports directly to the Board. One of the long standing roles of both the legal and external affairs staff is to protect existing water rights, both those held in trust by the District and others' water rights, throughout the District.

4 – External Affairs. In 2016 the Board identified improving the River District's public outreach as a strategic goal, so we added one position in mid-2017. The external affairs staff conducts the outward-looking mission of the District that includes lobbying efforts in Denver and D.C., local governmental relations, and broad education and outreach responsibilities to the District's constituents and beyond.

5 – Administrative Staff. The River District has a five member staff that covers human resource management, property management, contract administration (we have numerous water marketing and administrative contracts), management of a complex records storage program, board and management support, daily office operations, fleet vehicle management, and other support functions as needed.

2 – Financial Resources and Accounting (one position vacant). The River District's outside auditor has repeatedly advised the Board that proper financial controls require more than one accounting position (in addition to an actively engaged treasurer). We hope to hire a part-time employee to fill the vacant position before yearend.

River District staff is getting a 3.2% inflationary pay increase in 2018. Must be nice.

The River District Board has a salary policy that it implemented in 1995 to ensure fairness and equity. The goals of the policy are to be competitive with similar organizations including those on the Front Range (actually a slight pay leader at the 65th percentile of similar organizations), to reward performance, and to avoid any claim of arbitrariness.

The River District Board engages an outside consultant to conduct a salary survey every three years. The next one will be conducted in the summer of 2018. In the intervening years, we rely principally on Mountain State's Employers Council (MDEC) data. For 2018, MSEC's average salary increase is 3.2%. For 2018, the Board agreed to fully fund (3.2%) the recommended salary pool because we will be conducting the salary survey during the year and all indications are that we're experiencing a very competitive job market for water professionals. While the budget reflects a salary pool increase of 3.2%, individual salary increases are awarded based on performance and the individual's position within the salary range. The previous two years the salary pool increase was less than MSEC's reported increase: for 2017 the budgeted increase was

2.5% versus 3.1% and for 2016, it was 2.3% versus 3.2%. It is also important to note that we typically do not allocate 100% of the budgeted amount. Employees know that average salary increases are less than the pool increase percentage.

River District invested $810,000 last year to buy additional space in their building...1200 sq. ft. of which are for the sole purpose of giving the board a place to hold their monthly meetings. Was this really necessary?

In 2017, the River District, acting through its Enterprise Fund, acquired office space on the first floor of the building in which we own the second floor. We are currently finishing a conference room that will accommodate a variety of larger meetings as well as Board meetings. The price was $810,000 (within an independent appraised value). Please consider that about two-thirds of the space we acquired came with a ten-year, existing lease. When we consider the rate of return we get from the lease revenues, it far exceeds alternative investment options for our Capital Fund. I suggest it was a sound investment. For perspective, the Board's decision in the late 1990s to purchase our current office space (the second floor) has saved a lot of public money over renting or leasing and continues to represent an appreciating public asset.

Staff and salary budget (again, 25 staffers) in 2013 was $1,515,230. Proposed for 2019 is $2,001,191...30+% increase. What accounts for this substantial increase?

I fully appreciate that compensation is always a focus of public scrutiny and concern - and rightly so. You noted that staff salaries covered by the General Fund have increased from $1,515,230 in 2013 to a projected $2,001,191 in 2019. This deserves and demands a complete understanding.

There are several important reasons for this seemingly outsized percentage increase. First, this figure includes a change in total staff from 22 to 25 during that six-year period. Secondly and significantly, it also reflects a change in 2014 in nearly all salary allocations from 70% General Fund to 75% General Fund (the balance allocated to the Enterprise Fund). Additionally, one of the new hires' compensation is largely covered by a federal grant (but must still be shown as a District expenditure). When we back out the increase in the percentage allocation to the General Fund (to compare apples to apples) and adjust for the additional employees, the 2013-2019 increase totals 10% over the six year period. I would, of course, be happy to provide additional detail.

They have a vehicle fleet line item. Just how many vehicles does the District own -- and why?

The River District has a "fleet" of six cars and one truck in Glenwood Springs that may be signed out by employees for work-related travel. As you know, the River District covers 28% of the geographic area of the State of Colorado, and our employees have significant work-travel requirements both within the River District and to the Front Range. Providing safe and reliable vehicles has proven to be cost-effective to the District (the alternative being paying mileage for personal vehicle use) and has been reported by employees as a valued alternative.

What is this Employee Home Ownership Program all about? The employees

can get a $50,000 loan from the River District to buy a house and 60% of the loan is forgiven if they work for the River District for 15 years. Why? Who pays their employees to buy houses…with taxpayer money?

The River District adopted an Employee Home Ownership (assistance) Program in 2008. Our program was specifically patterned after a similar program offered by the City of Glenwood Springs.

Regarding what other organizations provide this program, the answer is numerous public and private employers operating in smaller and expensive housing markets from Glenwood Springs and east have found housing assistance critical for attracting and retaining quality employees. Our housing program administrator is Funding Partners for Housing Solutions. Funding Partners also services programs by the cities of Glenwood Springs, Carbondale, Eagle, and Vail, as well as Eagle and Pitkin Counties and the Eagle River Water & Sanitation District. Further, other entities administer their own programs – the City of Aspen and Summit County for example.

The River District's Housing Assistance program is only for full-time employees making their first home purchase in the Glenwood area since becoming a District employee. It is not for purchase of larger homes or a move outside of the area. Less than one-half of the employees receive housing assistance.

In addition to Chris Treese and now Zane Kessler, the River District also pays a contract lobbyist $3k per month. Why? They cannot cover it with 25 staffers?

The River District recognizes that D.C. lobbying can be a significant money sink; at the same time we respect Washington's importance to western water and the consequence of ignoring. The $3,000 monthly line item for lobbying represents our limited commitment to federal affairs in Washington D.C. This is for a contract with Water Strategies, LLC and is considerably less (less than half) what other Colorado water districts are paying from similar federal representation.

Commissioner, I genuinely appreciate the time you've taken to better understand the River District, our mission and our finances. I hope my answers to your specific questions have added to your understanding.

As always, if I can provide additional information, do not hesitate to contact me.

Sincerely,

Christopher J. Treese, Manager
External Affairs