



# **Elk Springs Proposed Special Water District Ballot**

Informational Meeting  
June 1

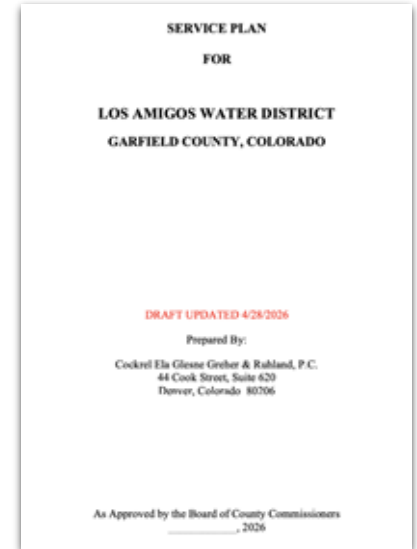


# Today's Ballot

## Reminder

A vote today will NOT initiate the creation of a Water District

- Our neighboring water customers in Pinyon Mesa, Eagle Ridge, Auburn Ridge, Elk Mesa, will be educating their members and customer in coming months
- Eligible voters in the district vote on its official creation during a future special election
- Service Plan will go thru many reviews and updates by professional staff, planning and county commissioners at Garfield County – there will be opportunities to comment and learn more
- We need 67% of our HOA owners to approve this measure NOW to move forward.





# This Ballot is an Opportunity

The proposed water district will be the first time water users can have more control of water and leverage funding opportunities, water conservation programs, incentives and tactics to manage our water.

Please vote to put this on the ballot today

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# Context on Key Issues

# Currently, every ES owner is responsible for our water system



The HOA and Water Enterprise is not a ‘traditional business’

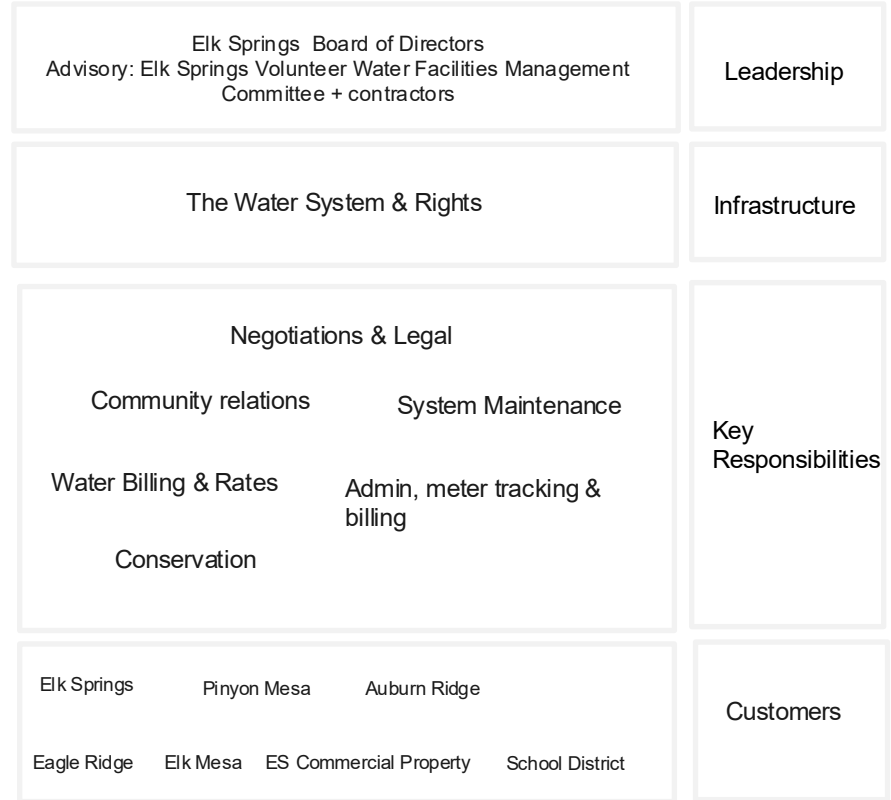
We own a public good (water) + it’s infrastructure system + its risks+ obligation to distribute it to our neighbors in the PUD.

Many owners are not aware of this – it is an unusual arrangement

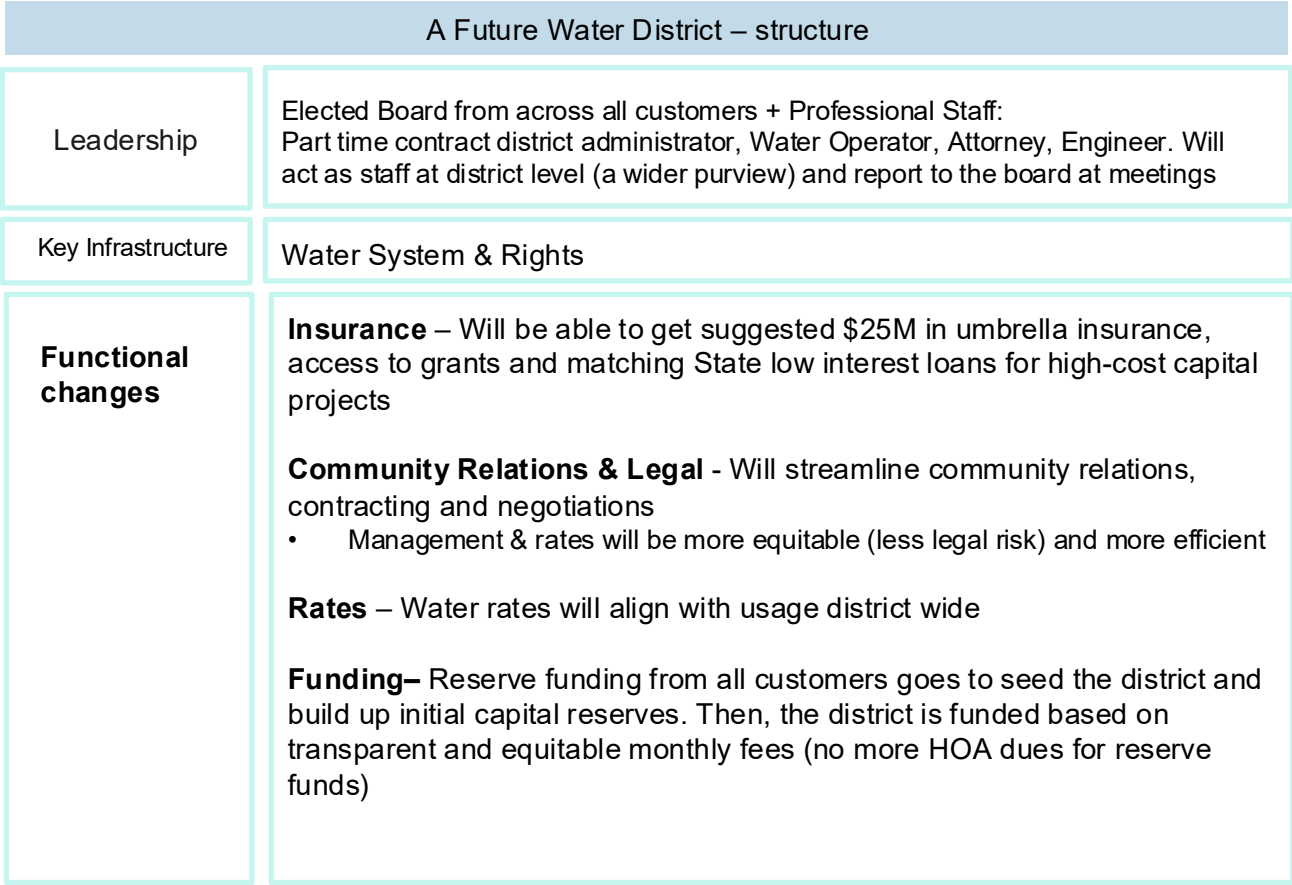
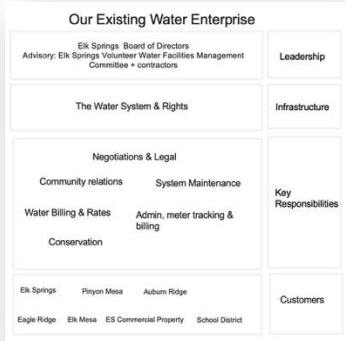
List of our responsibilities:

- Water system infrastructure
- Water system maintenance
- Negotiating contracts with our neighbors
- Legal interactions with customers
- Insurance for this business
- Setting rates
- Administration, billing, addressing water loss, meters, etc.
- Communication with HOA and customers

## Our Existing Water Enterprise



# Goal: To evolve current HOA water business into a special district



# Legal Risks



We are legally obligated to provide water to our customers

A district lets all customers share responsibility (and risk) for water management

Greater equity and better management = fewer legal risks and challenges

Being under threat of (or in) litigation is costly, lengthy, and impactful on Elk Springs property values and sales.

## HOA & Management

HOA board spends an exorbitant amount of time and money on water contract negotiations (a special district resolves this)

- This invites risk to all owners from lawsuits

## Contract Negotiations

Contracts are not the same for each customer – frustrates customers b/c they share in our water rights

- Water is expected to get more complex w/ current drought and growth trends – it is not going to get easier to be in the water business

## Administration, better billing, metering and loss tracking functions need to happen

- We can't provide detailed billing and loss tracking today
- Not good business; What we don't manage invites legal challenges

# Pro's & Con's



Water facilities essentially moves into a new entity that is separate from the HOA

A district is an **evolution** in water management, which means we are not solely responsible any longer

- Nothing is getting taken away

Elected leadership – Elks Springs will always have the opportunity to have the majority of positions on the board (just like at sanitation district today)

***Nothing to prevent Elk Springs from having all 5 board positions***

## If a District doesn't get established

- Legal risks continue
  - Water Committee will have to address increasing complexity of water management
  - Will face increasing frustration from customers
  - Will be held to account for billing, loss, tracking and other admin that needs improvement
- Financial Risks continue
  - Elk Springs homeowner assessments for unplanned issues
- Management Risks continue
  - Water Committee recommendations may not get implemented by a board due to unrelated HOA politics, as they have in the past.

# Insurance Liability



Adequate liability insurance coverage for water systems is typically only available to water districts

Getting insurance for an HOA that is running a water business is unpalatable for commercial insurers

We have standard liability coverage now, but our system is deemed too risky to insure beyond that

We are not here to blame past Boards – we want to work to get sufficient insurance moving forward

Our HOA can get water systems coverage for our own exclusive use— but NOT when we provide water to outside parties (which we are legally obligated to do)

Presently, we don't have adequate insurance despite thorough efforts

- We have had no offers for complete insurance package—underwriters have been approached

**At least \$25M in coverage is recommended for excess/umbrella liability coverage**

## Uninsurable Risks

Uninsurable items and exclusions exist currently for extreme events: e.g. contamination, pollution, complex catastrophic events

**ESHOA can be legally liable for business decisions too**

- For example, customers who want lower rates can sue us. No insurance will cover that.



## Pro's & Con's

- Sufficient insurance spreads risk out from Elk Springs to ALL customers
- Water Districts have access to federal and state pooled insurance that HOAs do not
- Membership in organizations such as the Colorado Special District Association and CoTRUST
- Real risk of legal action to HOA
- Most owners want sufficient insurance, even if we do not form a district, insurance needs to be addressed urgently
- If we cannot find ways to insure our systems, owners need transparency about exclusions and risks
  - Water Committee leadership must address this
- Managing our water system, admin, billing, management and taxes
  - This is a full time, professional role - requiring a diverse support community

# Water System Maintenance



“A water system is not really an investment;  
it is a multimillion \$ repair project”

**Elk Springs is legally required to provide treated water to neighboring water customers**

- e.g. If an issue arises, we are responsible for repair and/or providing water service – to Elk Springs AND to neighboring PUD customers

**When lines break, wells clog or pumps fail, we pay to repair them out of the reserve funds (what they are intended for)**

This means that should a large, unexpected expense occur that the reserve fund cannot cover, Elk Springs residents will be responsible for the difference



## Pro's & Con's

- Water Districts have access to federal and state matching funds, grants, low interest loans to fund infrastructure
- Capital improvement planning is a fundamental part of water districts- once developed, it will act as the long-term plan for rate setting and further investments
- Water systems always need maintenance – without a district, we only have our reserve funds to cover costs
- Owners will need to consider the impact of this on their property investments



# Rates

Rates will align with best practices - usage based (like a utility)

Enforcement, better billing, metering and tracking functions will be available

## **Will need to adjust rates if we District or not**

- A few water wasters in our community + the current system is going to require us to reduce our water use long term
- We want to adjust proactively now to avoid this

## **Rates will align with best practices – you pay for what you use**

## **Water loss, better billing, metering and tracking admin functions will be available**

- If you have a huge bill, you will see your use reflected on it and can adjust or check for leaks

# Water rates will be similar to previous; Usage based

## Proposed Monthly User Fee Tiers

TIERS			PAYMENT	
BASE	0	10,000 GALLONS	\$50.00	
1	10,001	15,000	\$6.00	PER 1,000 GALLONS
2	15,001	25,000	\$7.50	PER 1,000 GALLONS
3	25,001	+	\$9.75	PER 1,000 GALLONS

- Over 80% of users in base tier or tier 1
- Fees increase in each tier, from 20%, 25%, and 30% for each additional 1,000gal
- There is a \$9.31/mo reserve cost for all customers
- See Service Plan for more

Rates for an Elk Springs base user:  
 \$50/month + \$9.31/month reserve fee = \$59.31

Designed to ID and change water wasting behavior

## Regional Comparison

Municipality/District	Total Fee
Silt	\$127.8
Eagle River WSD	\$86.1
Rifle	\$58.6
Basalt	\$51.4
Carbondale	\$50.9
Snowmass WSD	\$50.7
Gypsum	\$49.4
Aspen	\$44.0
Glenwood Springs	\$41.9
<b>Elk Springs</b>	<b>\$41.50</b>
Roaring Fork WSD	\$37.3
New Castle	\$34.9
Mid Valley Metro District	\$19.7
	<i>*per 7000gal</i>

These values have been adjusted to 7,000gal (a typical home)

Note: Our rates don't include ANY taxes  
 Many others also have a mill levy in addition to these fees  
 And for others, irrigation water is additional cost

# Typical home uses 7000 Gall/month – Base Rate

<b>Current Rate structure for Active Water Users Elk</b>							
Over allotment rate	\$5.04	per thousand gallons straight tier system					
	Monthly water cost at current 2026 Elk Springs Rate structure *	Reserve assessment	2025 Indirect costs	Total Equalized Monthly	2027 Escalated CPI 3.8% Monthly		
Base Rate for 15,000g	\$52.75	\$ 9.00	\$ 6.89	\$68.64	\$71.25	Winter and summer use, most active members	
20,000 gallon rate	\$77.95	\$ 9.00	\$ 6.89	\$93.84	\$97.41	Summer outdoor irrigation	
25,000 gallon rate	\$103.15	\$ 9.00	\$ 6.89	\$119.04	\$123.57	Heavy irrigation - Full summer irrigation allocation	
30,000 gallon rate	\$128.35	\$ 9.00	\$ 6.89	\$144.24	\$149.72	Water Waste- above legal allotment	
<i>NO RESERVE FUND FEES INCLUDED IN THE ABOVE RATES</i>							
Add ES reserve fee of \$108/yr for 2026							
Add Indirect costs for water - \$20,595.91 in 2025							
<b>Proposed 2027 Special District Example</b>							
Over allotment rates	\$6.00	per thousand gallons, 1st tier					
	\$7.50	per thousand gallons, 2nd tier					
	\$9.75	per thousand gallons, 3rd tier					
	Monthly water cost at Proposed Special District rates						
Base Rate for 10,000g	\$59.31					Winter and summer use, most active members	
15,000 gallon rate	\$89.31	1st tier rate				Average outdoor irrigation	
20,000 gallon rate	\$126.81	2nd tier rate				Average Dry Year Summer outdoor irrigation	
25,000 gallon rate	\$164.31	2nd tier rate				Heavy irrigation - Full summer irrigation allocation	
30,000 gallon rate	\$213.06	3rd tier rate				Water Waste- above legal allotment	
	Standby 50% of active.	Reserve assessment	2025 Indirect costs	Total Equalized Monthly	2027 Escalated CPI 3.8% Monthly		
<b>Inactive water users</b>							
Current 2026	\$26.38	\$ 9.00	\$ 6.89	\$42.27	\$43.87		
Proposed 2027 Special District					\$9.31	Dedicated to capital reserves	

# Special districts exist to address water; it's complex & costly when mismanaged



We are fortunate that in Colorado, a private entity like an HOA can form a special water district and act as water manager for all users

- A water district separates the water business from the HOA-- ESHOA will have legal immunity
- A water district allows insurers who specialize in commercial products to come in and provide sufficient coverage for complex water systems

Water districts manage system maintenance AND look ahead to water infrastructure needs in the future – this is a big job, requiring staff and expertise

- Sets us up to reduce risk

Nothing is getting taken away here – we are evolving to make a better, less risky situation for Elk Springs

- A future district protects our property investments
- We are voting in 2 steps, a district will not be established until all customers have had the option of voting for it

When I bought my property in Elk Springs, I didn't expect to buy into a water business responsible for servicing others. Did you?

# Appendix

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# Our Water Customers

Legally obligated to provide treated water to Pinyon Mesa, Auburn Ridge, Eagle Ridge, Elk Mesa, and the school district property

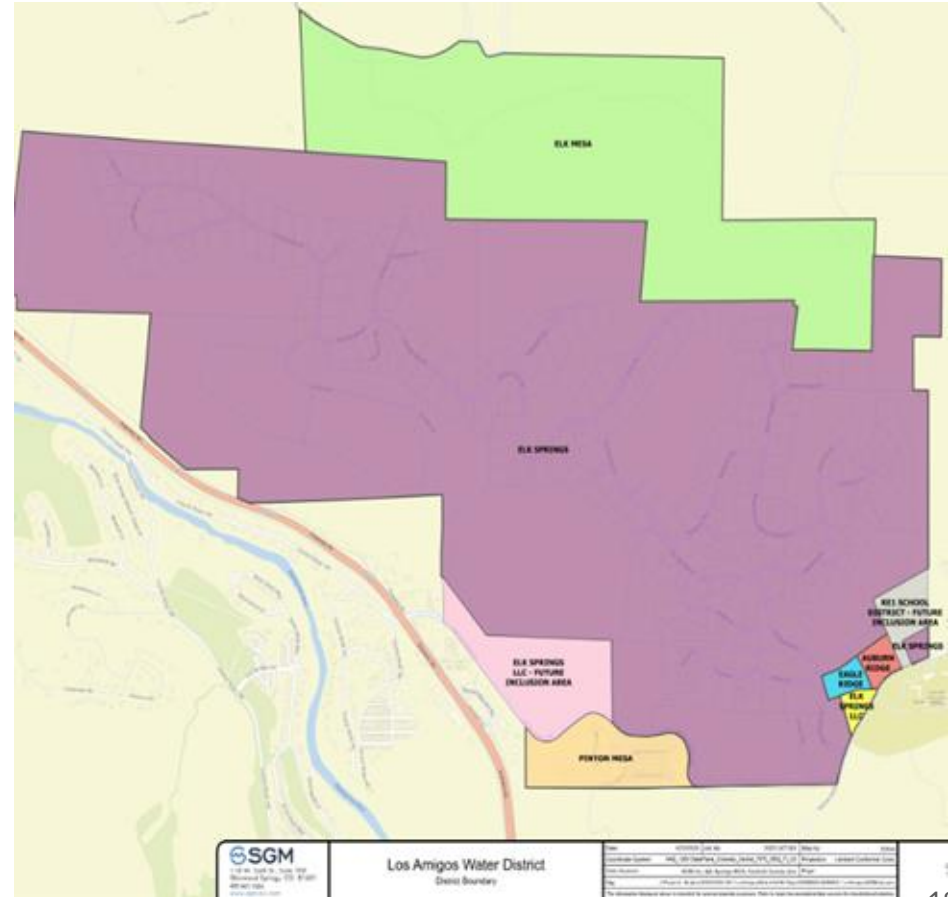
- Not all of these properties are developed or currently pay water fees, but we are still responsible for their water

We own the infrastructure, manage operations; Responsible for the cost of repairing and maintaining all the water infrastructure.

- This includes unexpected repairs and uninterrupted delivery of water

Negotiate contracts with our neighbors for water; Considerable amount of the Board's time and energy

- This has worked in the past, but has become unwieldy
- Contracts on various schedules and complexity
- Rate structures and fees vary
- Board would prefer to focus on community priorities





## Current liability

Currently, water management is done via volunteer water committee (thanks for your time!)

- Capital expenditures, repairs, and upkeep come from the Elk Springs water reserve fund.

Currently the HOA cannot obtain adequate insurance for our water system.

- Because we are legally required to provide water to Elk Springs AND nearby property and member associations, if there is an issue with neighboring water infrastructure, Elk Springs must expend reserve funds to cover the cost of repairs and provide continuous water to customers.
- And if those costs exceed the reserve funds, we must then ask Elk Springs residents to cover any remaining costs.

Most importantly, because of this arrangement, we, the 249 HOA members, bear the full responsibility and liability for delivering water to Elk Springs and surrounding properties.

**Our current water operations expose the HOA to unlimited liability that is not fully insurable**

# Summary Of Charges

## Summary of Monthly Charges

For active users (assumes using 10,000 gallons or less per month), they'd pay the Base User Fee and Capital Reserve Fee/month/EU.

- Elk Springs:  $\$50/\text{month}/\text{EU} + \$9.31/\text{month}/\text{EU} = \$59.31$
- Pinyon Mesa:  $\$50/\text{month}/\text{EU} + \$9.31/\text{month}/\text{EU} = \$59.31$
- Auburn Ridge:  $\$50/\text{month}/\text{EU} (20.6) + \$9.31/\text{month}/\text{EU} = \$1,221.79/\text{month}$

For inactive users with Elk Springs and Pinyon Mesa (assumes vacant lot without water use), they'd pay the Capital Reserve Fee. Base User Fee charges would be added once a dwelling unit is connected to the water system.

- Elk Springs:  $\$9.31/\text{month}/\text{EU}$
- Pinyon Mesa:  $\$9.31/\text{month}/\text{EU}$

For inactive users within areas not currently connected to the water system (Eagle Ridge, Elk Mesa, School District, and Elk Springs Commercial), they'd pay Capital Reserve Fee and the System Development Fee. Base Use Fee charges would be added once a dwelling unit is connected to the water system.

- Eagle Ridge:  $\$9.31/\text{month}/\text{EU} (20.6) + \$30.68/\text{month}/\text{EU} = \$823.79/\text{month}$
- Elk Mesa:  $\$9.31/\text{month}/\text{EU}$ , Elk Mesa to pay system development fees in one lump sum payment
- Elk Springs Commercial:  $\$9.31/\text{month}/\text{EU}$ , Elk Springs Commercial to pay system development in one lump sum payment

The RE-1 School District will not be included in the District at this time. The School District parcel will be a "Future Inclusion Area" and will pay equivalent capital reserve and system development fees at the time of inclusion.