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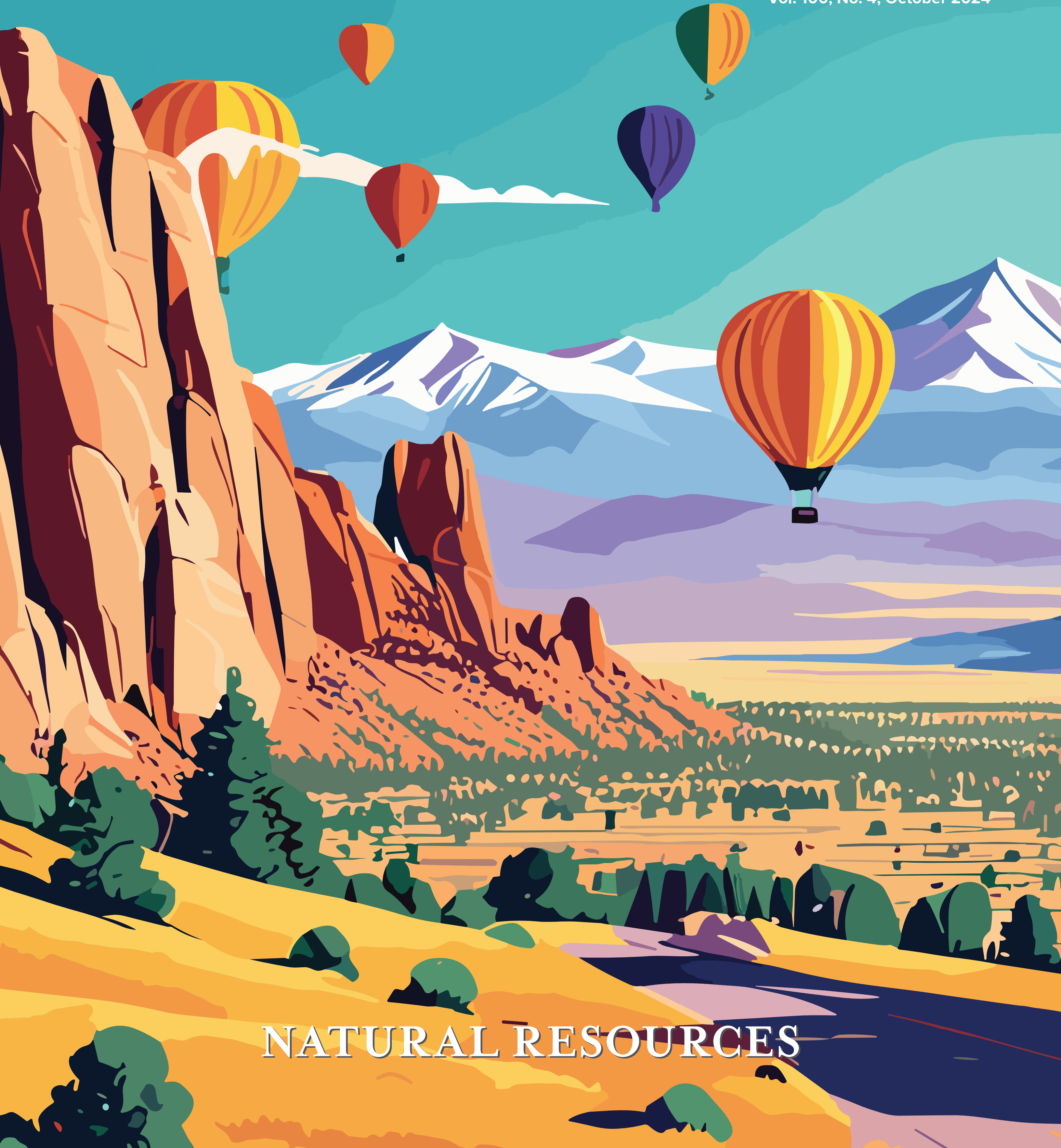

ABOUT SOME OF OUR CONTRIBUTORS

GIGI DENNIS IS CITY MANAGER OF MONTE VISTA AND AN ENERGY AND MINERAL IMPACT ASSISTANCE ADVISORY COMMITTEE GUBERNATORIAL APPOINTEE. GIGI SERVED IN THE COLORADO SENATE FROM 1995-2001. SHE WAS APPOINTED BY PRESIDENT GEORGE W. BUSH AS THE STATE DIRECTOR FOR USDA RURAL DEVELOPMENT, AND SHE SERVED AS COLORADO SECRETARY OF STATE FROM 2005-2007. GIGI THEN JOINED THE PRIVATE SECTOR AS SENIOR MANAGER OF EXTERNAL AFFAIRS FOR TRI-STATE GENERATION AND TRANSMISSION ASSOCIATION FROM 2007-2015.

DAN HALEY SERVES AS PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE COLORADO OIL AND GAS ASSOCIATION. AS PRESIDENT, DAN IS RESPONSIBLE FOR LEADING THE INDUSTRY IN COLORADO LEGISLATIVE, REGULATORY, AND PUBLIC RELATIONS MATTERS. A COLORADO NATIVE, DAN HAS A BACHELOR'S DEGREE IN JOURNALISM FROM THE UNIVERSITY OF WYOMING.

ELIZABETH HASKELL IS A LEGISLATIVE AND POLICY ADVOCATE FOR THE COLORADO MUNICIPAL LEAGUE. ELIZABETH IS RESPONSIBLE FOR ADVOCATING MUNICIPAL INTERESTS BEFORE THE STATE LEGISLATURE. HER ISSUES INCLUDE BEER AND LIQUOR, EMPLOYMENT AND LABOR, RETIREMENT AND PENSIONS, TAXATION AND FISCAL POLICY, LOTTERY AND GAMING, HISTORIC PRESERVATION, MUNICIPAL DEBT AND FINANCE, AND PURCHASING. SHE ALSO ASSISTS IN TRAINING AND ANSWERING INQUIRIES FOR OTHER MUNICIPAL OFFICIALS ON VARIOUS TOPICS. ELIZABETH JOINED THE LEAGUE IN OCTOBER 2023.

ROBERT SHEESLEY IS GENERAL COUNSEL FOR THE COLORADO MUNICIPAL LEAGUE. ROBERT MANAGES LEGAL SERVICES FOR CML, RANGING FROM EDUCATIONAL SUPPORT FOR MUNICIPAL ATTORNEYS THROUGHOUT THE STATE TO ADVOCACY FOR MUNICIPAL INTERESTS IN THE COURTS. HE ASSISTS THE LEGISLATIVE ADVOCACY TEAM, FIELDS INQUIRIES FROM COLORADO MUNICIPAL ATTORNEYS, STAFFS THE CML AMICUS COMMITTEE, AND FILES FRIEND OF THE COURT BRIEFS IN SUPPORT OF MUNICIPAL INTERESTS. ROBERT IS THE FORMER CITY ATTORNEY OF COMMERCE CITY. HE JOINED THE LEAGUE IN 2021.

ABOUT SOME OF OUR CONTRIBUTORS

BEVERLY STABLES IS A LEGISLATIVE AND POLICY ADVOCATE FOR THE COLORADO MUNICIPAL LEAGUE. BEVERLY IS RESPONSIBLE FOR ADVOCATING MUNICIPAL INTERESTS BEFORE THE STATE LEGISLATURE. HER ISSUES INCLUDE PUBLIC HEALTH, SUBSTANCE ABUSE, AFFORDABLE HOUSING, LAND USE AND ANNEXATION, AIR QUALITY, TRANSPORTATION AND TRANSIT, AND SUSTAINABILITY. SHE ALSO ASSISTS IN TRAINING AND ANSWERING INQUIRIES FOR OTHER MUNICIPAL OFFICIALS ON VARIOUS TOPICS. BEVERLY JOINED THE LEAGUE IN OCTOBER 2023.

RACHEL WOOLWORTH IS A MUNICIPAL RESEARCH ANALYST FOR THE COLORADO MUNICIPAL LEAGUE. SHE JOINED CML IN 2023 AFTER CONCLUDING HER MASTER OF PUBLIC ADMINISTRATION DEGREE AT UNIVERSITY OF COLORADO DENVER. AS A FORMER JOURNALIST, RACHEL SPENT THE LAST DECADE RESEARCHING AND WRITING ABOUT THE RURAL WEST THROUGH AMERICORPS TERMS IN ALAMOSA AND SANTA FE AND FIVE YEARS WORKING AS A REPORTER AND THEN EDITOR-IN-CHIEF OF THE HERALD DEMOCRAT IN LEADVILLE.

TIM YORK JOINED AURORA WATER IN 2012. HE EARNED A BACHELOR OF LANDSCAPE ARCHITECTURE DEGREE FROM THE UNIVERSITY OF NEVADA, LAS VEGAS, AND IS A COLORADO LICENSED LANDSCAPE ARCHITECT. PRIOR TO JOINING AURORA WATER, TIM WORKED IN THE PRIVATE SECTOR IN DESIGN AND CONSTRUCTION MANAGEMENT ROLES ACROSS MULTIPLE STATES. AS THE MANAGER OF WATER CONSERVATION, TIM SUPPORTS A LARGE TEAM OF PASSIONATE WATER CONSERVATION PROFESSIONALS IN PROGRAM DEVELOPMENT, IMPLEMENTATION, AND ANALYSIS.

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The Colorado Municipal League is a nonprofit association organized and operated by Colorado municipalities to provide support services to member cities and towns. The League has two main objectives: 1) to represent cities and towns collectively in matters before the state and federal government; and 2) to provide a wide range of information services to help municipal officials manage their governments.

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AFTER COAL

As a once-dominant industry fades into the past, Craig, Hayden, and Rangely diversify their economies for a resilient future

By **Rachel Woolworth**, CML municipal research analyst

Northwest Colorado stands on the brink of economic transformation. After experiencing economic upswings and downturns tied to gold prospecting, uranium mining, and oil drilling throughout the last 150 years, municipalities across the region are now grappling with the sunset of coal and the subsequent need to reinvent their economies.

Since the 1970s, Northwest Colorado's two coal-fired power plants and four coal mines have propelled cities and towns like Craig, Hayden, and Rangely, providing supply chain spending, high-paying jobs, and plentiful tax revenue for local governments.

But in 2019, Gov. Jared Polis published a roadmap to 100% renewable energy by 2040, formalizing the State of Colorado's movement away from fossil fuel production. Though the region's coal industry was already in decline, Polis' 100% renewable commitment served as a catalyst for local governments in Northwest Colorado to confront the sunset of coal proactively.

Five years later, the region's coal industry is on its last leg. Craig and Hayden Generating Stations, the region's power plants, are set to close by 2030 and the region's four coal mines, Trapper, Colowyo, Twentymile, and Deserado, face uncertain futures.

According to a Colorado Mesa University study, the sunset of coal across Northwest Colorado will roughly equate to a 20% loss of regional GDP and more than 2,000 lost jobs. Various counties and special districts across the region expect to soon lose 40 to 60% of their property tax revenue due to the power plant and mine closures.

Though municipalities are generally less dependent on property tax than other local governments, cities and towns across the region are also bracing for the impacts of coal's decline. Municipalities will face depleted supply chain spending, job loss, and reduced severance tax and federal mineral lease royalties.

To combat these challenges, municipalities across Northwest Colorado are working to transform the regional energy industry, broaden manufacturing opportunities, and strengthen tourism and recreation assets to create new spending, jobs, and municipal revenue opportunities.

"There is a tremendous sense of urgency around this work. Economic diversification usually takes decades, but we are trying to do it in a matter of years," Christine Rambo, project manager for Northwest Colorado Development Council (NWCDC), said of the region's planning efforts. "It takes a lot of resources, partnerships, and capacity building."

REIMAGINING ENERGY PRODUCTION

The coal industry has helped build a highly skilled workforce across Northwest Colorado, from heavy equipment operators to engineers to electricians. Such high-dollar employment opportunities in the energy industry are not easily replaced by tourism and recreation jobs, which are typically lower paying.

> **"There is a tremendous sense of urgency around this work. Economic diversification usually takes decades, but we are trying to do it in a matter of years."**
>
> — CHRISTINE RAMBO, Northwest Colorado Development Council

"It's important to realize what you have and build upon that," said Shannon Scott, economic development director for the City of Craig. "We are asking ourselves what types of industries can utilize the existing skill sets of our workers. Often, that looks like new forms of energy production."

In an effort to preserve high-paying jobs, municipalities are collaborating with the region's coal plant and mine companies to reimagine their roles throughout Northwest Colorado. Cities and towns are also working to bring new renewable energy projects to the area.

In June, Craig and Moffat County reached a settlement agreement with Tri-State Generation & Transmission stemming from the accelerated closure of Craig Station.

The city and county will each receive $22 million in direct benefit payments to place in a community economic development trust fund. Craig and Moffat County are the first coal communities in Colorado history to receive direct benefit funding for economic development.

"The intent is to keep that money local and reinvest it in programs to address job loss and property tax loss," Scott said.

The settlement also calls for minimum backstop property tax revenue payments of up to $48 million between 2028 and 2038, incentivizing Tri-State to reinvest in the community through different types of energy production. In fact, the agreement includes a commitment from Tri-State to solicit bids only in Moffat County for a new natural gas power plant.

The Town of Hayden also plans to negotiate with Xcel Energy, the owner of Hayden Station, to secure financial assistance and reinvestment in the community in the wake of the power plant's accelerated closure.

"Xcel seems to be set on redeveloping the site," said Mathew Mendisco, Hayden's manager. "For what, we will find out in the coming months."

Various renewable energy projects, including solar, biomass, geothermal, and hydropower, are in the works for the region.

Craig is home to a 20-acre solar array constructed in 2023. The Town of Rangely is retrofitting its municipal buildings with solar and geothermal energy. Hayden hopes to run geothermal as a municipal energy utility in the near future. A pumped storage hydropower project is also proposed on a site between Craig and Hayden.

Instead of walking away from the energy industry, municipalities across Northwest Colorado are incentivizing coal companies to reinvest while also developing their renewable energy assets.

The Town of Craig, with a view of Cedar Mountain in the distance.

MOMENTUM IN MANUFACTURING

While energy remains a key focus, economic diversification efforts extend beyond the sector. Leaders in Northwest Colorado are looking toward manufacturing as an area of growth due to the region's skilled workforce, industrial parks, and access to freight rail.

Though the region is already known for several outdoor recreation manufacturing companies, such as Good Vibes River Gear in Craig and Headhunter Bow Strings in the Town of Meeker, municipalities are hoping to bring other types of manufacturing to the area through the construction of industrial parks.

"A huge part of ecosystem building for the manufacturing industry is constructing industrial parks," Rambo explained of recent projects in Hayden, Craig, and Rangely. "To have shovel-ready sites that existing businesses can expand to or businesses outside of the region can move to is huge."

Hayden broke ground on the Northwest Colorado Business Park, a 58-acre site across from the Yampa Valley Regional Airport, this spring after years of planning. The park offers two- to five-acre, shovel-ready lots for industrial and commercial use with easy access to multimodal transportation.

Three of the park's 13 lots are already under contract. The future tenants, all of which are expanding regional businesses, include a beverage wholesaler and distributor, a coal storage company, and a start-up specializing in camper and van retrofits.

More than $6 million in state and federal funding, including grants from the U.S. Economic Development Administration and Colorado's Office of Just Transition and Energy/Mineral Impact Assistance Fund, made the project possible. Hayden also plans to install a geothermal heating and cooling network at the park, thanks, in part, to a grant from the Department of Local Affairs.

In Craig, the manufacturing and agricultural industries intersect with the construction of a new meatpacking plant. Though ranching has long served as a backbone of Northwest Colorado's economy, ranchers have struggled to produce value-added meat products like sausage and jerky — items that come with a higher return on investment than selling animals whole — due to a lack of processing facilities.

Fitch Ranch Artisan Meats recently received a $7 million grant from the U.S. Department of Agriculture to build a 40,000 square foot meat processing plant across from its current facility, which is much smaller. The company estimates the new plant will bring 65 jobs to the Craig community.

"Agriculture is a historic strength in the Yampa Valley," Rambo said. "That is exactly why we are leaning into that strength with a mindset for innovation."

The region's Union Pacific Railroad line, with spurs in Hayden and Craig, serves as a unique incentive for manufacturing companies looking to set up shop in the region. Thanks to the state's recent creation of two income tax credits for businesses utilizing the rail line, rail use is now more compelling than ever.

A sign marks the Rangely Airport.

TOURISM AND OUTDOOR RECREATION GROWTH

Like many rural areas of the state with historic ties to mining, Northwest Colorado is growing its tourism and recreation industries through downtown revitalization efforts, small business development, enhanced river and trail accessibility, and cultural site promotion.

Municipal programs across the region, like the Craig Small Business Grant Program and Rangely Facade Renovation Program, have helped small businesses invest in capital equipment, restore historic facades, and redo sidewalks and landscaping. Business pitch competitions, like those seen in Hayden and Craig, have assisted in fostering an entrepreneurial spirit among locals.

Craig also offers tax increment financing (TIF) to businesses in the downtown corridor, which is part of the city's urban renewal authority. One of the city's TIF recipients, Bad Alibi Distillery, was started by two locals employed at Craig Station and Trapper Mine, looking to transition out of the coal industry.

Already known as a mecca for hunters and anglers, municipalities across the region are trying to broaden their appeal to outdoor recreation lovers.

Rangely is constructing public access amenities along the White River, thanks to a $400,000 grant from the Office of Just Transition. At the same time, Craig is hard at work building a whitewater park on the Yampa River to attract rafters, kayakers, and river surfers. Hayden grooms a Nordic ski track throughout the winter, and Rangely offers an expansive network of off-highway vehicle and dirt bike trails in the summer.

Promotion of cultural tourism is also gaining momentum across Northwest Colorado. From petroglyphs and pictographs created by the Fremont and Ute peoples near Rangely to the Museum of Northwest Colorado in Craig and Carpenter Ranch Preserve outside Hayden, the region offers an array of cultural assets to attract tourists.

PLAN FOR THE WORST, TAKE THE BEST

When speaking to municipal leaders and economic development professionals across Northwest Colorado, a consistent theme emerged: when uncertainty abounds, plan for the worst-case scenario.

"We started putting in the work early to control what we knew we could control," Mendisco said of Hayden's economic diversification efforts. "Town council was brave enough to say, 'We need to start working on this transition now,' back before others were doing so."

Economic resilience is a team effort. Craig, Hayden, and Rangely have benefited from partnerships with local and regional economic development organizations, such as NWCDC, that offer technical assistance, grant writing, and business consulting services. The state and federal government have served as important partners, awarding millions of dollars in grant funding to municipalities in the region in recent years.

Such collaborations, along with the forward-thinking mentalities of municipal officials, are bracing Craig, Hayden, and Rangely for a new era — one defined by economic diversity and durability.


Photo by City of Craig
The Museum of Northwest Colorado in Craig is one of many cultural tourism offerings in Northwest Colorado.


The Craig Station power plant in Moffat County.


Sunrise on the Yampa River.

PRESERVING THE NIGHT SKY

Dark Sky designations bolster economies of Westcliffe and Silver Cliff

By **Robert Sheesley,** CML general counsel

During the Colorado Municipal League's fall district meetings last year, I had the pleasure of spending the night in Westcliffe after the District 13 meeting in Silver Cliff. The meeting wrapped up as the sun went down behind the Sangre de Cristos. From the porch of my hotel, I experienced what the towns have long known to be one of their greatest assets — a dark night sky filled with stars.

The Wet Mountain Valley isn't alone in its unobstructed view of the cosmos, but Silver Cliff and Westcliffe have made it part of their identity. In 2015, the towns became Colorado's first places designated as Dark Sky Communities by DarkSky International for their work to preserve the night sky from light pollution.

According to DarkSky's website, a Dark Sky Community "has shown exceptional dedication to the preservation of the night sky through the implementation and enforcement of a quality outdoor lighting ordinance, dark sky education, and citizen support of dark skies." DarkSky also designates parks, remote areas, and urban places with similar characteristics.

Photo above — the sky as seen from Westcliffe on a clear night.

To be designated as a Dark Sky Community, Silver Cliff and Westcliffe had to change the attitudes of the town and property owners toward light pollution. Structurally, the town modified codes to establish standards for acceptable outdoor lighting. These codes restrict light from reaching beyond a specified area (or "light trespass"), reduce lighting density, and prevent light from creating "sky glow."

Private properties aren't the only ones impacted. The towns had to retrofit public lighting to meet similar requirements. According to Silver Cliff Mayor H.A. "Buck" Wenzel, grants from the local DarkSky group covered most of the cost of reducing light pollution from street and park lighting.

Outreach and public participation are the final elements of Dark Sky designation as well as the pieces that pay dividends for the towns. The designation has had a noticeable impact on the towns' economies and their identities. According to Chuck Jagow, a Westcliffe trustee and president of Dark Skies of the Wet Mountain Valley, hotels are booked all summer long and one motel renamed itself "Dark Skies Suites." Jagow noted that the town sees visitors from across Colorado and the country, and even from as far away as Turkey.

The local Dark Sky organization was instrumental in moving the towns toward the designation and remains a critical resource for them. The group operates Westcliffe's Smokey Jack Observatory. Housing a 14-inch telescope (and any others that enthusiasts may bring), viewers can see the rings and cloud bands of Saturn, features of Jupiter, and several galaxies. Messier 13, the globular cluster of hundreds of thousands of stars, is the "wow factor," Jagow said.

The observatory hosts public "star parties" on Saturdays, regularly drawing dozens of people. Private star parties are also extremely popular, with eager stargazers booking out summer reservations by February.

Night sky preservation has not been without resistance, but penalties are rarely imposed. Both towns favor an educational approach that leads to voluntary compliance. "Owners and developers bend over backward to help," Wenzel said.

The towns typically refer property owners to the local Dark Sky group for information or even financial assistance to modify problematic lighting. The towns adopted variance processes to account for special circumstances and exceptions for things like holiday lights.

The towns are now looking to create a regional Dark Sky designation that requires getting Custer County officials on board to control the spread of light pollution.

"When I grew up you could stand on Bluff Park and count how many lights in the valley on two hands with a few fingers broken off," Jagow said. "Now there are hundreds of lights."

ARKANSAS RIVER

A trip down *the* Arkansas River

Careful management balances diverse municipal needs along the waterway

By **Rachel Woolworth**, CML municipal research analyst

Running more than 1,400 miles from its Rocky Mountain headwaters to the Mississippi River, the Arkansas River passes through four states and dozens of cities and towns, supporting municipal water needs and economies along the way.

From its headwaters just north of Leadville, the river plunges almost 5,000 feet in 125 miles, cascading through granite canyons, aspen-lined drainages, and subalpine grasslands. These dynamic and scenic river conditions are the lifeblood of the Upper Arkansas Valley's booming recreation and tourism industries, from whitewater rafting to fly fishing.

After rushing through the narrow walls of the Royal Gorge, the Arkansas River widens near Cañon City. The river's frothy turbulence flattens as it approaches Pueblo, giving way to mild ripples and shallow, sandy banks. At Pueblo Reservoir, much of the river's waters are diverted to meet the municipal needs of large cities like Pueblo, Colorado Springs, and Aurora.

After flowing through downtown Pueblo, the Arkansas River meets the Great Plains. Lined with cottonwood groves, fields of melons, and an intricate network of irrigation ditches supporting the Lower Arkansas Valley's agricultural industry, the river ambles toward the Kansas border and the grand Mississippi.

The Arkansas River Basin is Colorado's largest river basin, covering about 20% of the state's land area. From Leadville to Holly, cities and towns across the basin depend on effective management of the river to meet municipal water needs and ensure economic vitality.

RIVER-FUELED RECREATION ECONOMIES

Arkansas Headwaters Recreation Area (AHRA) encompasses a 150-mile stretch of the Arkansas River and its surrounding lands. Co-managed by Colorado Parks & Wildlife and the Bureau of Land Management, the recreation area offers access to whitewater rafting and kayaking, hiking, mountain biking, rock climbing, camping, and more.

From fly fishing along the willow-laden shores of Hayden Meadows south of Leadville to rafting Zoom Floom rapid in Brown's Canyon National Monument near Buena Vista to surfing Scout Wave in downtown Salida, much of the river-fueled recreation within AHRA is made possible by the Upper Arkansas River Voluntary Flow Management Program (VFPM).

For more than 30 years, local, state, and federal governments and private organizations have collaborated through VFPM to maximize beneficial water use throughout the Upper Arkansas River Basin. The management program avoids dramatic river flow fluctuations throughout the year by providing steady, controlled releases that support fish habitat and elongate the rafting season.

For example, from July 1 to Aug. 15, water managers keep Arkansas River flows to roughly 700 cubic feet per second, allowing the whitewater industry to continue commercial raft trips long after spring runoff ends.

Such management practices are possible, in part, because the Arkansas River receives transbasin water from the Western Slope's Fryingpan River Basin to supplement the arid Front Range and Eastern Plains. This transbasin supply provides water managers with a margin of flexibility to alter flows to support river health and the recreation industry — a luxury in the water world.

Several of Cañon City's employees first moved to the area to work in the whitewater industry and decided to stick around because of their love of the river.

VFMP has helped a 100-mile stretch of the Arkansas River reach Gold Medal status, an esteemed river health designation utilized by anglers, and become the most commercially rafted river in the nation. According to an Arkansas River Conservation Cooperative report, the regional river industry generated $61 million and 600 full-time jobs throughout the 120-day rafting season in 2022.

For Cañon City, the Arkansas River and the canyon it carved have been important for well over a century.

"We're born out of the mining and railroad industry, and industrial use of the river was a long-time backbone for the community," said Cañon City Administrator Ryan Stevens. "Today, the river helps bring people to town and convinces them to stay for longer."

Nealy 100 years ago, the federal government granted Cañon City the 5,000 aces now known as Royal Gorge Bridge & Park. The city remains the park's sole owner while contracting with a private company to manage operations.

In 2023, Cañon City earned about $3.1 million in revenue from the Royal Gorge Bridge and Park — a sum that funds almost the entirety of the city's parks department. Any excess park revenues are allocated to the municipality's quality of life fund, used largely for grant matches.

The Royal Gorge's turbulent waters draw adrenaline seekers from across the state and country, bolstering the area's whitewater rafting industry. The city also lures river lovers to its urban core to run laps at the Cañon City Whitewater Recreation Park and attend events like the Royal Gorge Whitewater Festival and Whitewater Open Canoe Nationals.

The Arkansas River runs through much of the city, with a pedestrian riverwalk offering connections to the local community college, various public buildings, and several parks and river access points. The city recently received a half-million dollar grant from Great Outdoors Colorado to acquire a riverfront Black Hills Energy property that will be repurposed for public recreation and river access.

Photo by Ground to Air photography

Rafters compete in the Royal Gorge Whitewater Festival, an annual celebration on the Arkansas River in Cañon City.

Though the class IV-V rapids in the Royal Gorge may attract tourists and seasonal workers, downtown river accessibility often convinces people to stay. According to Stevens, several of Cañon City's employees first moved to the area to work in the whitewater industry and decided to stick around because of their love of the river.

QUENCHING AN URBAN POPULACE

Because many of Colorado's largest cities are in arid areas of the state, such municipalities must divert water from faraway rivers to bolster their own water supply to keep up with municipal needs.

Pueblo Water, Colorado Springs Utilities, and Aurora Water depend on the Arkansas River for its native water, snowmelt that cascades down from the Sawatch and Mosquito Range each spring. The utilities also rely on the river as a conduit that carries transbasin water from the Western Slope to the water-short Front Range.

From senior water rights along high country ditches to vast reservoirs far from the Front Range, Pueblo, Colorado Springs, and Aurora's varied water supply sources create a complex network of water rights and collection infrastructure across the Upper Arkansas Valley.

About two-thirds of Pueblo Water's supply comes from the Arkansas River, more than Colorado Springs or Aurora. Pueblo Water is a separate entity from the City of Pueblo, whereas Colorado Springs Utilities and Aurora Water are part of the municipal government.

Like many water utilities, Pueblo Water's portfolio is a patchwork of old and new rights. Older water rights, like those purchased on Wurtz Ditch near Tennessee Pass in 1938 for $50,000, would now be worth many millions of dollars. Newer water rights, like those purchased on the Bessemer Ditch in 2009 for $60 million,

ARKANSAS RIVER

help secure Pueblo's future growth despite a hefty price tag.

The Bessemer Ditch, which spans east from Pueblo to the Great Plains, supports agricultural and municipal water needs for some 40 miles. Pueblo Water's purchase of shares along the ditch included a commitment to lease water back to farmers for 20 years, an agreement recently extended for another 10 years. Such municipal-agricultural water-sharing agreements are becoming common across Colorado.

The western portion of Pueblo Water's collection system, which moves water from the High Rockies to Pueblo Reservoir, is just as complex as its medley of water rights. The utility's water arrives at the city through a series of ditches, creeks, tunnels, pipes, reservoirs, and, of course, the Arkansas River itself.

This collection system includes the Busk-Ivanho Tunnel, a historic railroad tunnel now used as an aqueduct to carry water pumped over the Continental Divide down into Turquoise Lake, which Pueblo spent millions of dollars clearing and stabilizing in partnership with Aurora last summer. Clear Creek Reservoir, just north of Buena Vista, is another important piece of Pueblo Water's collection infrastructure that will see improvement work in the coming years.

From where the Arkansas River meets Pueblo Reservoir, Pueblo Water pipes its water supply directly to its treatment plant. Pueblo Water's capability to harness gravity to send water to its plant marks an advantage over Colorado Springs and Aurora, cities that spend millions each year to pump water north to their treatment plants.

> **"It was farming and ranching that drew the creation of these cities."**
>
> — TOM SEABA, City of La Junta

"Our geographic location significantly reduces rates for the Pueblo community," explained Pueblo Water Executive Director Seth Clayton. "We have by far the lowest water rates in the Front Range. They are about 33% below average and 65% below the top."

MUNICIPAL AND AGRICULTURAL NEEDS COLLIDE

When the Arkansas River reaches the Eastern Plains, water is diverted to farmland sowed with crops like melons, soybeans, and tomatoes through a system of historic ditches. The region's hot days and cool nights are said to make melons and other crops extra sweet.

"It was farming and ranching that drew the creation of these cities. They emerged as places for farmers and ranchers to get supplies and use the railroad," explained Tom Seaba, director of water and wastewater for the City of La Junta. "If you see agriculture drop then you are going to see the economy of any small community in the area drop as well."

Like many farmers across the Western United States, growers in the Lower Arkansas Valley can't rely on rain alone to irrigate their crops. Farmers depend on agricultural water rights along the Arkansas River to supplement the earth's hydrologic cycles.

Yet in recent decades, Front Range cities have purchased regional farms and their associated water rights to meet municipal water needs, often letting fields go fallow in a practice known as "buy and dry." According to a study completed by *The Colorado Sun* and *Fresh Water News*, since 1997, Crowley, Pueblo, Bent, and Otero Counties have lost 90%, 60%, 38%, and 35% of their irrigated lands, respectively.

"Communities like ours just don't have financial or legal backing to protect what water we do have," Seaba said. "But you also can't blame a farmer who sells his farmland in an economically depressed area, because that's his number one value."

Municipal-agricultural water-sharing agreements that attempt to balance the needs of municipalities and farmers, like Pueblo Water's 2009 purchase of Bessemer Ditch shares, are becoming more common. Such agreements include payments to farmers for irrigation efficiencies, short-term or alternating lease programs, and shared water storage.

For example, Colorado Springs Utilities' purchase of water rights from Bent County farmers in 2022 included commitments to pay growers to install more efficient pivot irrigation, allow farmers to grow seven of every 10 years, and provide Bent County a $2.5 million upfront mitigation payment.

Though Front Range municipalities view such agreements as win-win, some residents of the Lower Arkansas Valley are dubious.

The Pueblo Riverwalk runs along the Arkansas River.

"I think there is lots of wishful thinking with recent leases that try to keep farmers' ground from going foul with water sharing agreements," said Dan Tucker, water resources engineer for Arkansas Groundwater Reservoir Association. "It may work in the short-term, but the long-term is another story."

Purchases of agricultural water rights orchestrated by Front Range cities can prove frustrating for municipal governments across the Lower Arkansas Valley, which also face challenges getting water to residents.

Most cities and towns in the region draw municipal water from shallow wells in the alluvial aquifer instead of from the Arkansas River. Such well water is exposed to underground geological contaminants like selenium, arsenic, and radium, making drinking water quality a problem across the valley.

Though municipalities like La Junta have installed reverse osmosis membrane systems to remove contaminants, keeping up with state water quality regulations remains a challenge. "The way current state regulations are mounting on us … it's a huge financial burden for La Junta," explained Seaba.

The Arkansas Valley Conduit (AVC), a proposed 130-mile buried pipeline, holds potential to bring cleaner drinking water from Pueblo Reservoir to 50,000 residents of the Lower Arkansas Valley. Though the AVC was authorized by Congress in 1962, the conduit was never built, largely because of the high cost to rural participants.

In 2009, Congress amended the legislation to a 65% federal and 35% local funding cost-sharing agreement, improving the project's financial feasibility. Construction of the conduit began near Pueblo in 2023, but municipalities further east remain unsure if they can afford the price tag.

"There's no question having a better water source is a good thing, but we have to ask ourselves if the return on investment is there," Seaba said. He estimates La Junta would have to triple municipal water rates to join the conduit."It's hard to contemplate how

the conduit could've changed cities like La Junta if it was built in the 1970s," Tucker mused. "How different would the valley look today?"

BALANCING NEEDS

In a historically overallocated river basin like the Arkansas, water management that balances recreational, municipal, and agricultural needs is paramount for Colorado's cities and towns. This balance is difficult to achieve, given hydrologic variability, increasing aridity of the Western United States, and competing pressures over a scarce resource.

Just as effective water management looks different to Cañon City, Pueblo, and La Junta, the same is true of the river recreation industry, municipal water utilities, and farmers. There is no one-size-fits-all solution.

VFMP, however, is a positive example of effective management of the Arkansas River. The program encourages collaboration across governments and economic sectors and has for more than 30 years maximized water use for involved parties.

Other water management strategies across the Arkansas River Basin, like municipal-agricultural water sharing agreements and the construction of the AVC, hold promise if they justly balance the needs of and costs to both small and large municipalities.

"Everything begins around the economy of water," Seaba said. "What it takes to source it, to deliver it, and to ensure there is enough to go around."

Photo by Pueblo Water

Water from the Arkansas River is piped directly from Pueblo Reservoir to Whitlock Treatment Plant, Pueblo Water's treatment facility.

Sunset on the Arkansas River in Colorado.

The Royal Gorge bridge spans the Arkansas River near Cañon City.

WATER CONSERVATION

SPOTLIGHT

Water-wise landscapes: Aurora's past & future

By **Tim York**, City of Aurora manager of water conservation

Nestled on the high plains of Colorado at an elevation of 5,471 feet, Aurora's native landscape is comprised primarily of prairie grass species. Just speckle in some shrubs and perennials that withstand our climate and line our scant stream beds with a few cottonwood trees to imagine what Aurora looked like 100 years ago.

Thriving on approximately 15 inches of precipitation during the growing season, Aurora's native flora is certainly water-wise. The city's urban built environment will never mirror its natural environment — there is no way around it. We must, however, be cognizant of the impacts of urbanization, particularly to non-recoverable water supplies, as we build vibrant communities that residents are proud to call home.

Water conservation efforts in Aurora can be traced back to the early 1950s, a time when the city's suburban environment was primarily comprised of Kentucky bluegrass and non-native trees and hedges. Watering restrictions were enforced as necessary, but broad conservation programming didn't begin until 2002 in response to drought.

Primarily reliant on snowpack, Aurora's water supply portfolio is renewable and diverse yet heavily influenced by an uncontrollable variable — the weather. Water-wise landscapes quickly became a focus for this reason.

To showcase water-wise landscaping, the city designed and built the Aurora Water-wise Garden. The garden displays the beauty and utility of native and low-water plants in an urban setting, tests species viability, and provides residents with a place to learn and engage with experts.

Photos by Alex Miller

Above, the Aurora Water-wise Garden grows near city hall. At left, a flower blooms in the garden.

Launched in 2007, Aurora's Xeriscape Rebate, now called the Grass Replacement Incentive Program (GRIP), incentivizes property owners to replace high-water-use turf with water-wise landscaping. With an average supplemental irrigation need of about 28 inches (17.5 gallons per square foot) per season, turf grasses like Kentucky bluegrass use a lot of water.

GRIP provides customers with a free design option, education, and a cash rebate to make the switch. The result is a more sustainable water footprint, a more climate-appropriate landscape, increased biodiversity, diverse textures and colors, and more. For 2025 GRIP participants, the rebate value will be $3 per square foot for "traditional water-wise" landscape (shrubs and perennials with mulch) and 50 cents per square foot for low-water and native grasses.

Converting existing non-functional, high-water use grass is only part of the equation. It is essential to avoid past mistakes in landscaping as Aurora continues to grow. Our new vision for the city's built environment embraces low-water landscapes.

In 2022, with overwhelming support of our residents, Aurora became the first municipality in Colorado to prohibit the use of non-functional turf in new development. The ordinance prohibits high-water use turf in residential front yards, curbside landscapes (formerly "tree-lawns"), and commercial and park development except when programmed as an active or community use space.

As we look to Aurora's future and the nexus of water and land use, baseline and actual outdoor demand will continue to be a priority. While our built landscapes will never mirror the native prairie, we will continue to make sustainable choices that support our community.

Some day, we hope to be done discussing non-functional turf because existing areas will have been converted and decades of new development with appropriate landscapes will be the new archetype. Water-wise landscape, in Aurora, is here to stay.

SPOTLIGHT

Finding common ground

Oil and gas industry hopes to continue collaboration with local governments

By **Dan Haley**, Colorado Oil & Gas Association president and CEO

Colorado's beauty, and its once boundless opportunity, have drawn newcomers to our state for decades. Like many of you, I have watched how our communities have grown and changed in exciting ways with the influx of new neighbors and new possibilities.

But this growth presents both opportunities and challenges as businesses and residents increasingly find themselves as next door neighbors. For Colorado's oil and natural gas industry, this new reality makes the relationships between local government and industry leaders more important than ever as we come together to protect the safety and well-being of residents and our environment, while also nurturing the economic growth that has made Colorado such an attractive destination.

But it's also where we find some conflict.

Colorado has a long, rich history of energy development. We've been producing oil here since 1860 — before statehood and just one year after the first oil well was drilled in the United States. We're the fourth largest crude oil producer in the country and eighth in natural gas production.

We are producing these vital resources using state-of-the-art technology and innovation to be the best neighbors possible by decreasing emissions, reducing leaks, limiting venting and flaring, and disturbing less land. The result is abundant, efficient, and affordable energy sourced and produced locally in one of the safest and most environmentally sound manners anywhere.

Yet, we're also an industry that is increasingly in the political crosshairs, targeted with potential ballot initiatives and legislative proposals that would ban production of this vital resource that we all use each day. Some local governments have passed regulations making development nearly impossible or have pushed through rotating six month bans on new permit applications.

Despite this, we remain at the table, ready and willing to work with local and state leaders on responsibly developing these resources. We have participated in more than 30 local and state rulemakings over the past five years — a number unmatched anywhere in the country. Since 2019, when Senate Bill 19-181 was signed into law, every aspect of oil and gas has come under the regulatory microscope including permitting, flowlines, air monitoring, and cumulative impacts. Additional rulemaking is expected for at least the next several years.

Long-term forecasts call for increased demand of oil and natural gas, globally, over the next 30 years as more than 2 billion people are added to the planet. So, the question becomes: Where do we want to get our energy from? From our fellow Coloradans, who operate under some of the strictest environmental standards in the world, or from foreign governments who don't share our values or our environmental or labor standards?

That gives Colorado a clear edge. Gov. Jared Polis' administration has said "a strategy that limits in-state production will shift production to areas with higher lifecycle emissions" and "this action would likely result in more pollution, higher methane emissions, more air pollution in our neighboring states," among other unintended negative consequences, according to the 2024 Greenhouse Gas Pollution Reduction Roadmap 2.0.

If you care about the environment, you want your energy produced locally in Colorado. When we do, local communities benefit.

In 2022, the oil and gas industry paid almost $2 billion in local and state taxes. Much of that money is funneled directly to local governments or indirectly through the state's Energy Impact Assistance Fund grants (more than $100 million in 2023) and Building Equitable Schools Today grants (more than $120 million in 2023-24) which is largely funded by oil and gas mineral leases. Our industry also embraces its role as a critical philanthropic partner. In 2023, our members donated over $16 million to more than 400 Colorado nonprofits.

Simply put, the world will continue to demand clean, affordable, and reliable energy.

As representatives of our local communities, you understand the needs of your residents and are an essential part of shaping Colorado's energy future by opening doors for collaboration and meaningful dialogue to find solutions. This approach has served us well in the past, and it is exactly what we need now.

Arbitrary setbacks and blanket bans are not the answer. They may seem like quick fixes, but they often fail to address the complex realities and energy needs of our local communities. Instead, we need thoughtful, balanced solutions that consider the needs of all stakeholders.

Let's bring all voices to the table to find common ground and work together to overcome challenges and craft policies that reflect our shared values and aspirations for Colorado. By embracing a collaborative approach, we can ensure Colorado remains not just a great place to live and work, but a model for how we can thrive alongside one another in the 21st century.

A volatile tax

Severance tax reductions are a challenge for municipalities impacted by natural resource extraction

By **Elizabeth Haskell**, CML legislative & policy advocate

Colorado's severance tax — imposed on the extraction of nonrenewable natural resources, including metallic minerals, molybdenum ore, oil and gas, oil shale, and coal — is a vital part of the state budget and provides critical resources to many local governments.

Local governments socially or economically affected by nonrenewable natural resource extraction use severance taxes to mitigate impacts of such extractive forms of energy production and mining, update critical infrastructure, and enhance livability in their communities. Local governments have a reasonable expectation that this revenue will be distributed to their communities and awarded as grants as outlined in state law.

After off-the-top allocations are deducted for operational expenses at the Colorado Department of Local Affairs (DOLA) and the Colorado Department of Natural Resources (DNR), severance tax revenue is divided equally between the two departments for further distribution.

DOLA distributes its part of the revenue via direct disbursements, loans, and competitive grants to qualified local governments to offset impacts on communities with historic ties to nonrenewable natural resource development. DNR uses severance tax dollars to fund various water projects and other projects related to natural resources, conservation, drought mitigation, and energy.

Given the state's reliance on severance tax revenue to fund state departments and critical needs of local governments, the volatility of this revenue is a significant concern. The boom-bust nature of the oil and gas sector, commodity price fluctuations, and various severance tax rates, credits, and deductions contribute to this volatility.

For instance, Colorado's June 2024 Economic & Revenue Forecast, prepared by Legislative Council Staff, predicts a 45.3% decline in total severance tax revenue from fiscal year (FY) 2022-23 to FY 2023-24 due mainly to falling oil and gas production values and increased property tax credit utilization. Although revenue is expected to rebound in FY 2024-25 and FY 2025-26, the compounded average annual growth rate from FY 2022-23 to FY 2025-26 is forecast to be negative 14%. The chart to the right illustrates the volatility of this revenue between 2003 and 2023.

In addition, public opinion and resulting public policy aimed at reducing the amount of natural resources extracted from beneath Colorado's surface while expanding renewable energy sources means resulting revenue will decline over time. Arguably, these funds will cease to exist someday. However, there is little acknowledgment of or planning for that reality by policy makers.

The volatility and diminishment of future severance tax revenue underscore the importance of preserving local governments' share of the revenue, as the impacts of mineral extraction often outlast the extraction activities themselves. Instead, the legislature has diverted severance tax revenue to balance the state budget during economic downturns, without restoring these funds to local governments.

Since 2008, the legislature has diverted approximately $425 million of severance tax and federal mineral lease dollars belonging to local governments away from energy impacted communities. Most recently, approximately $69.3 million was diverted from the state and local share of severance tax to the General Fund for use in FY 2024-25. Of that amount, $25 million was diverted from the Energy/Mineral Impact Assistance Fund, the grant fund where 70% of DOLA's half of severance tax revenues are deposited.

Over time, DOLA has been able to smooth some of the peaks and valleys of severance tax revenue by reserving a portion of the revenue each year to ensure funds are available in down years. The 2024 diversion swept this reserve and reignites concerns that "one-time" transfers of severance tax revenue are becoming a recurring practice resulting in less revenue being returned to local governments.

From a municipal perspective, Colorado's severance tax is a lifeline to keep up with critical infrastructure needs and services for residents. Diverting severance tax revenues away from loans and grants threatens the intended purpose of the tax — to offset the direct impacts of nonrenewable natural resource extraction on municipalities.

It is reasonable to expect that any severance tax revenue diverted away from its intended use should be restored. However, unlike the revenue diverted from K-12 funding since the Great Recession, no governor or legislature has proposed restoring any of the local revenue that supported the state in its time of need.

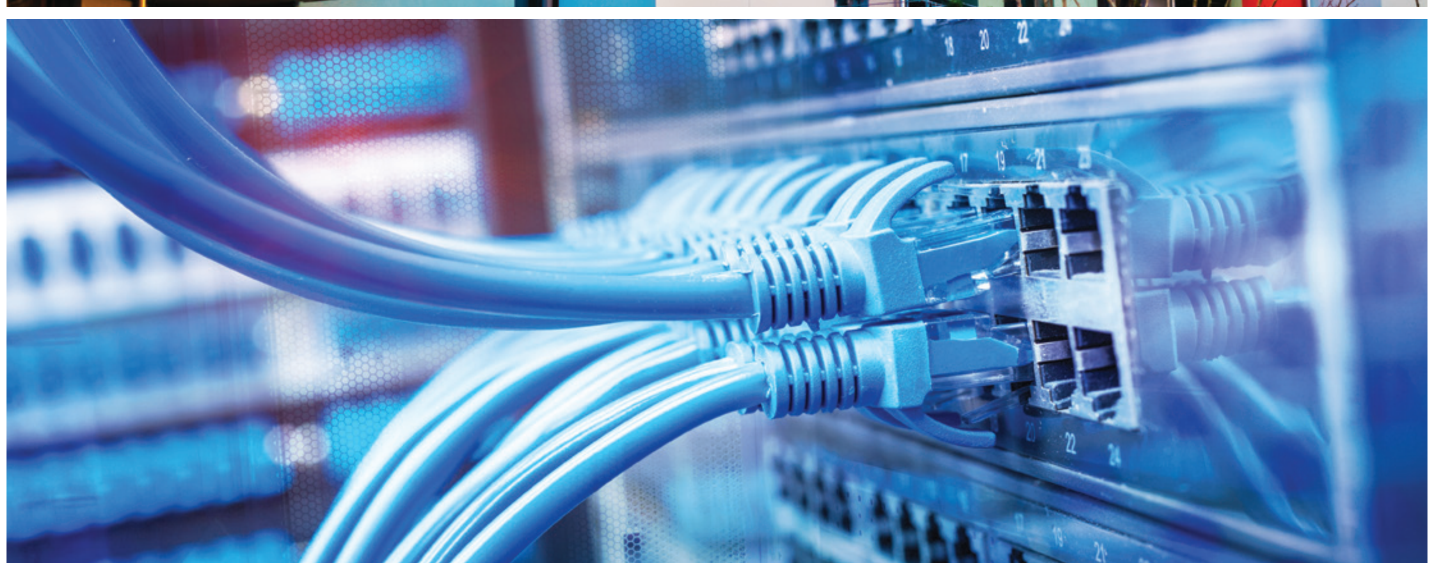
As severance tax revenue declines, state leaders will have to grapple with the loss of operational funding it counts on for DOLA and DNR, and a source for state budget backfill. Local governments, on the other hand, must contemplate a future without support from severance tax funds.

Future leaders may look back at this time as a missed opportunity to get ahead of declining severance tax revenue, unless intentional, collaborative planning discussions begin soon.

Colorado Severance Tax Collection

Year	Net severance tax collection
2003	$32,334,808
2004	$115,883,824
2005	$145,113,695
2006	$212,773,355
2007	$136,887,598
2008	$151,473,654
2009	$285,015,302
2010	$71,435,426
2011	$146,689,768
2012	$175,090,866
2013	$147,730,790
2014	$245,087,354
2015	$292,685,322
2016	$84,079,229
2017	– $7,195,424
2018	$102,722,238
2019	$217,944,747
2020	$147,878,402
2021	– $15,280,442
2022	$306,809,972
2023	$325,958,742

SEVERANCE TAX



ENERGY & MINERAL IMPACT ASSISTANCE FUND

SPOTLIGHT

Fund to award $60 million to local communities in 2025

By **Gigi Dennis**, Monte Vista city manager and Energy and Mineral Impact Assistance Advisory Committee gubernatorial appointee

Serving on the Energy and Mineral Impact Assistance Fund (EIAF) Advisory Committee is truly a rewarding use of my time. I am currently in my second term on the committee, and the people I serve with, the stellar staff of the Department of Local Affairs (DOLA), and the community leaders who have presented EIAF projects have been so inspiring. Such projects take much time and thought before they ever come before the board.

EIAF funds come from the state severance tax on energy and mineral production, as well as from a portion of the state's share of royalties paid to the federal government for mining and drilling of minerals and mineral fuels on federally owned land.

The state legislature had the good sense, years ago, to create EIAF to "assist political subdivisions that are socially and/or economically impacted by the development, processing, or energy conversion of minerals and mineral fuels." Gov. Jared Polis, who sees the benefit of helping many underserved communities with these funds, has taken the program further in recent years.

Potential EIAF projects are first discussed with a DOLA field manager. From there, community leaders decide what is needed to make projects work, which usually includes identifying matching funds to leverage with an EIAF grant.

Not all projects are funded, and some go back to the drawing board for further development. But projects that demonstrate the best detail and completion capability may be fortunate enough to be funded.

Because mineral tax is assessed on production, the amount of EIAF funding varies each cycle. There are usually three funding cycles per year; awards can range from $750,000 to $1 million per project with an expected local funding match.

For 2025, we expect $20 million to be available per funding cycle. There are also two funding tiers: projects under $200,000 and projects greater than $200,000 (going up to the $1 million maximum).

The local funding match percentage, which can be a mix of local funds, nonprofit funds, or other federal or state grants, depends on the program. In the past, EIAF has helped communities fund projects related to broadband, affordable housing, energy efficiency, water and wastewater systems, community facilities, beautification, and climate resilience. Need help with planning? Yup, EIAF funds that too.

The EIAF Advisory Committee, which is made up of local officials and state department appointees, serves as a sounding board for hopeful communities. We are thoughtful, kind, and conscientious people who ask tough questions so we may advise the executive director of DOLA on where we believe funding is most warranted. Ultimately, after advisement, funding decisions are left to DOLA's executive director.

As a leader in your community, I advise you to make your DOLA field manager your best friend. Field managers will help you brainstorm projects, provide advice on where to look for other funds, and hold your hand through the process. Nothing will brighten your day like opening an EIAF award letter, letting you know your project was funded!

ENERGY PROJECT PERMITTING

LOCATION, LOCATION, LOCATION

The future of permitting utility-scale renewable energy projects

By **Beverly Stables**, CML legislative and policy advocate

Local governments are hard at work making renewable energy projects a reality in Colorado. But some members of the state legislature, with the support of industry advocates, have suggested statewide standards for permitting that could restrict important traditional local influence on where and how utility projects are built.

ENERGY PROJECT PERMITTING

Colorado's demand for and growth of renewable energy is due, in part, to Gov. Jared Polis' climate action plan, which pledges the state to achieve 100% renewable energy use by 2040. This ambitious goal puts pressure on municipalities to approve industrial development of renewables at a fast pace.

Local governments must balance the desire to support renewables with their responsibilities to ensure sound planning, steward public land and resources, promote economic development, and manage other land use applications, as well as the need for community buy-in. High-impact projects, like energy generation and transmission projects, increase the local responsibility to ensure projects are done right.

Through zoning powers and "1041" authority (see sidebar), municipalities can establish local requirements to achieve those goals by having a stronger say in where and how energy projects can be built.

Local siting and permitting procedures came under scrutiny by the state legislature in the 2024 session as lawmakers sought to standardize the parameters imposed by local governments through Senate Bill 24-212.

Under the new law, local governments will not be forced to adopt any statewide standards.

The first draft of this bill limited local government authority to determine where these projects can be located, how far back they need to be from public sidewalks and roads, and similar requirements deemed necessary by municipal officials. The final draft of SB24-212, however, looked quite different, thanks to Colorado Municipal League's advocacy efforts.

The enacted legislation requires the state to provide technical assistance to local governments in the form of model codes, best management practices, information on wildlife habitat protection, and more. The law also directs state agencies to study and assess municipal siting and permitting processes and projects.

Under the new law, local governments will not be forced to adopt any statewide standards, but rather will receive more tools from the state to bring renewable energy projects to fruition in a manner that works best for their communities.

Renewable energy can provide significant cost savings to communities in the form of cheaper energy, tax credits, and federal grants. Because of these benefits, solar and wind projects are proliferating across the state.

The City of Pueblo is home to Bighorn Solar Project, a 300MW solar field dedicated to powering the EVRAZ Rocky Mountain Steel Mill. The project covers 1,800 acres of land and is the first solar field in the United States to be exclusively dedicated to a steel mill. The solar farm will help support approximately 1,000 jobs and allows the mill to produce steel from almost entirely renewable energy.

Across the Eastern Plains, towns like Limon are harnessing the power of the wind. The Limon Wind Energy Center's 243 wind turbines span more than 100,000 acres. The wind farm annually generates about 2,118,303 MWh that is then sold to Xcel Energy.

These types of projects require cooperation from local officials and support from residents. If the original draft of SB24-212 had passed, places like Pueblo and Limon may have had a harder time responding to the specific needs of their jurisdictions. Giving local governments adequate resources and flexibility to permit renewable energy projects allows them to make the right decisions for their communities.

Rather than taking aim at the thoughtful work of local leaders, SB24-212 offers state partnership to encourage the development of renewable energy projects across Colorado. Yet some at the Capitol wanted to see the legislation go further. With eyes on the 2025 legislative session, expect to see state lawmakers again consider preemption to further the state's climate goals at the expense of community-driven outcomes.

Summary of 1041 Powers

Through 1041 regulations (named after the bill number of the 1974 law that granted the power), Colorado's municipalities and counties have enhanced powers to review and approve developments concerning selected areas of state interest and activities of state interest.

Areas of state interest

- Mineral resource areas
- Natural hazard areas
- Areas containing or significantly impacting historical, natural, or archaeological resources
- Areas around key facilities

Activities of state interest

- New or extended major water and sewage treatment systems
- Solid or hazardous waste disposal sites
- Site selection of airports, rapid or mass transit, highways and interchanges
- Major public utility facilities
- New communities
- Municipal and industrial water projects
- Nuclear detonations
- Commercial geothermal electricity production

State law, C.R.S. § 24-65.1-201 to -204, provides boundaries for local 1041 regulations. Generally, 1041 regulations are seen as a more powerful tool to prevent unwanted harms from high-impact development.

Municipalities with 100% renewable energy commitments

At least 12 Colorado municipalities have formally adopted commitments to source 100% their of energy and/or electricity from renewable sources. Some municipalities, like Aspen and Glenwood Springs, have already reached their goals while others, like Pueblo and Lafayette, are still hard at work doing so.

MUNICIPALITY	YEAR ADOPTED	GOAL YEAR	IMPLEMENTATION
Aspen	2007	2015	Complete
Boulder	2016	2030	Ongoing
Breckenridge	2017	2035	Ongoing
Denver	2018	2030	Ongoing
Fort Collins	2018	2030	Ongoing
Frisco	2019	2035	Ongoing
Glenwood Springs	2019	2019	Complete
Golden	2007	2030	Complete
Lafayette	2017	2030	Ongoing
Longmont	2018	2030	Ongoing
Nederland	2017	2025	Ongoing
Pueblo	2017	2035	Ongoing

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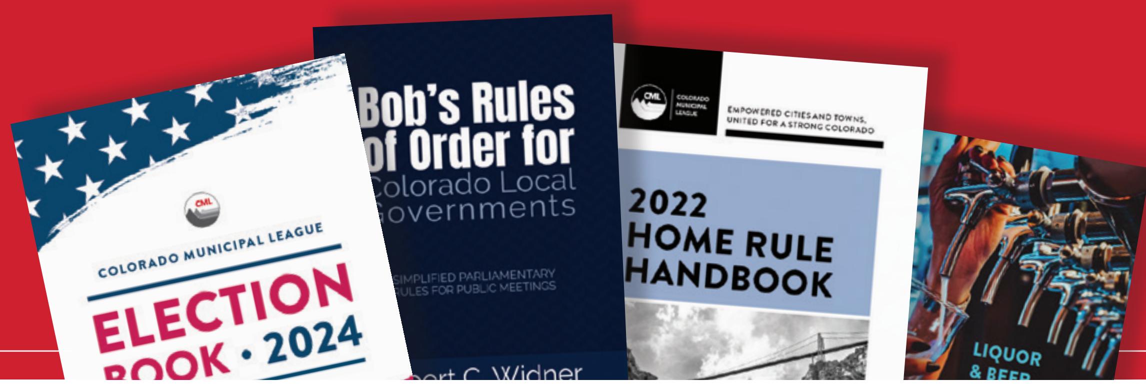

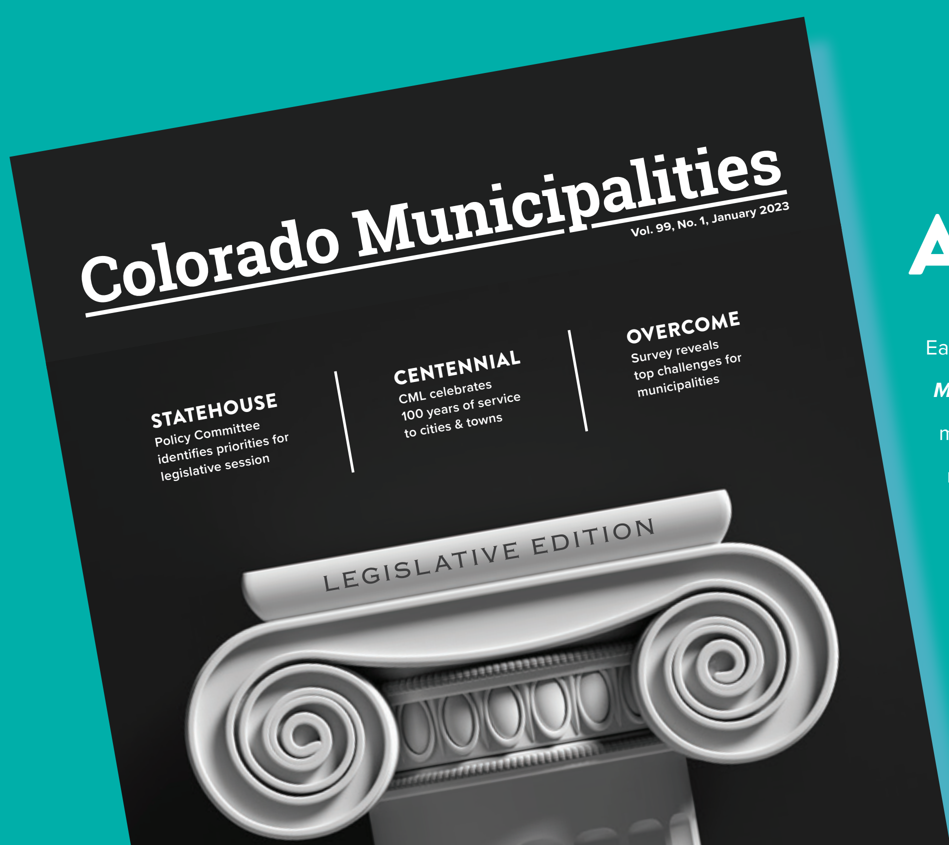

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1144 Sherman St.
Denver, CO 80203-2207
(p) 303-831-6411 / 866-578-0936
(f) 303-860-8175

www.cml.org
cml@cml.org

COLORADO MUNICIPALITIES
Denise White, editor
Rachel Woolworth, assistant editor
Alex Miller, graphic designer
Mark Vanderbrook, circulation

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