

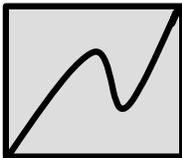
**Economic Impacts
of the
Southern Delivery System
on the
Regional Economy of
Pueblo, Colorado Springs
and Surrounding Areas**

Prepared for: The Center for Regional Advancement

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Peer into the future before it becomes the present



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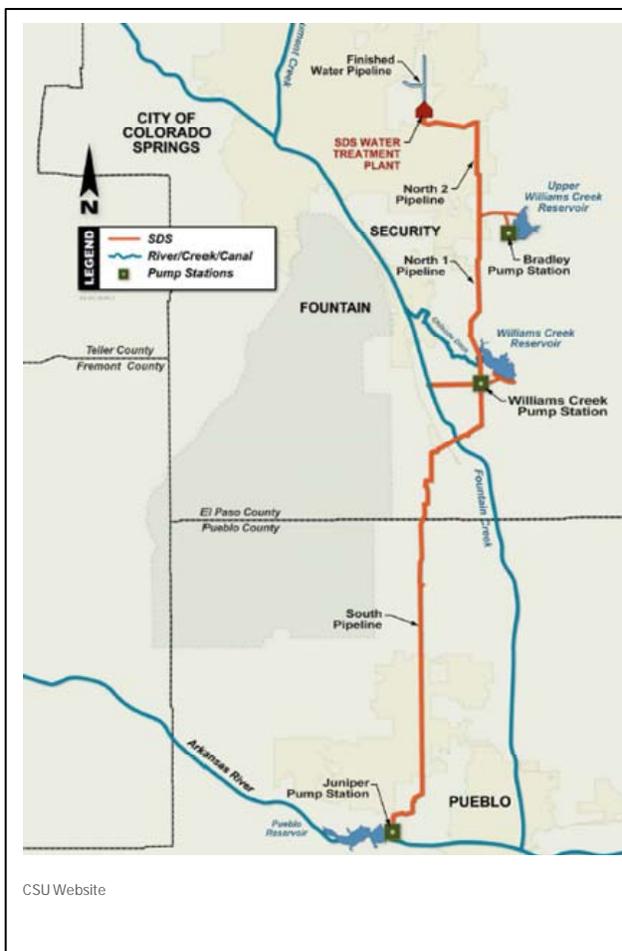
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Purpose

The Center for Regional Advancement (CRA) of the Colorado Springs Chamber of Commerce contracted with Summit Economics to conduct an independent review of the Southern Delivery System with a focus on the impacts of the project on jobs in the Pueblo and Colorado Springs metropolitan areas. The study considered:

1. Impact of SDS compared to other major water delivery system capital investments in Colorado Springs' history.
2. The economic interdependence of Pueblo, El Paso, Fremont, and Teller counties.
3. The relationship between economic growth and opportunity and water availability, especially in the Rocky Mountain West.
4. The economic outlook of Colorado Springs without additional water.
5. Economic stimulus benefits of SDS expenditures in the region by county based on the planned construction expenditures and location of the pipeline.

What is the Southern Delivery System?



SDS is a multi-phased project that connects a new pipeline to the base of the Pueblo Dam. The pipeline will deliver water to Pueblo West in Pueblo County and Colorado Springs, Security, and Fountain in El Paso County. The system is comprised of:

- 62 miles of pipeline,
- pump stations to move water,
- reservoirs for water storage,
- water treatment and distribution facilities.

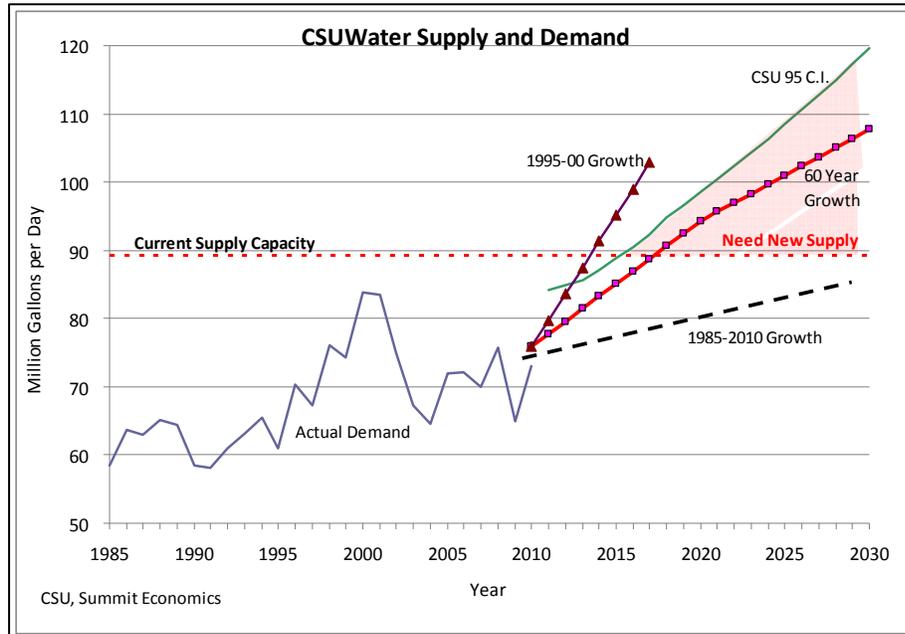
The reservoirs, treatment plant and finished water distribution facilities are generally located east and southeast of Colorado Springs.

SDS will be capable of delivering 78 million gallons per day (MGD) of water to the El Paso County project partners when completed.

The Regional Economy Requires More Water

Colorado Springs and partners will likely need additional water delivery capacity sometime within the next decade. For Colorado Springs Utilities (CSU) only, SDS provides a 53% increase over the current capacity of 89 MGD as represented by the red horizontal line in the graph.

Forecasts of demand indicate SDS could be needed as soon as 2014 and as late 2033. The range is based upon different forecast scenarios. The scenarios are predicated on historical trends



with the low forecast (the black dashed line) assuming the 1985 to 2010 demand trend prevails. Given the 1985 to 2010 period included two of the worst growth economic periods in the community (1986 to 1992 and 2008 to 2010) and virtually no demand growth due to drought induced conservation realized in the 2000 to 2005 time frame, the low

forecast is probably not a good reflection of the coming decades. The high growth forecast (maroon with triangles) reflects one of the most robust periods of economic growth from 1995 to 2000. The red line, or most likely forecast, reflects the past 60 years of growth in Colorado Springs. It shows demand will exceed the current supply capacity around 2016.

Planning for water development in the semi-arid areas can be one of the longest lead time endeavors known to society. Failing to plan years in advance (sometimes decades in advance) can have serious economic and urban environmental consequences. The green solid line in the graph represents CSU's current forecast which statistically represents the 95 confidence interval of demand. In other words, CSU, as directed by its past Board (City Council), has planned and implemented to develop a major water project so that the timing has a low probability of leaving the community facing water shortages. When it comes to utilities, it's all about reliability.

SDS Diversifies the El Paso County Water Portfolio

Perhaps more important than bringing new water to the community to reliably meet demand growth, SDS provides needed flexibility to the overall CSU water system.

By providing a second pipeline into Pueblo Reservoir, in addition to the Fountain Valley Authority pipeline, SDS provides back-up to the water supply for Colorado Springs and potentially much of El Paso County's population. The back-up is needed as a number of factors potentially threaten the region's water supply.

- Two of the three existing pipelines to Colorado Springs, Homestake and the Blue River, are over 40 years old. Like any infrastructure, the need for repairs, maintenance and replacement increases with age.
- Many El Paso County subdivisions and municipalities currently rely on nonrenewal underground aquifers. SDS potentially provides an alternative if the communities relying on groundwater can acquire their own water rights and permits. This could be critical as evidenced by Cherokee Water District receiving national media coverage when mandatory water restrictions were imposed due to chronic water shortages.
- Political, regulatory, and legal risks are mounting from a variety of sources as water becomes scarcer. the States of Arizona, Nevada, Utah, New Mexico, and California; Western Colorado; federal agencies, environmental groups, Native Americans, oil shale companies; and grass roots constituencies all have claims to Colorado River basin water. Approximately 70% of all Front Range renewable water, including Colorado Springs', originates in the Colorado basin. If any of the Colorado River basin entities successfully assert their claims, current supplies to Colorado Springs could be reduced.
- Drought in the lower Colorado River basin and forecasted long-term climatic changes provide growing uncertainty.

Hopefully, the emerging risk factors will not manifest into actual threats. However, the risks are real in an increasingly complex world. SDS reduces that risk by creating more flexibility to the overall CSU water system. For instance, outages on the Homestake pipeline could be worked around with water flowing into Pueblo Reservoir and pumped to Colorado Springs via SDS. Calls on the Colorado River basin that reduce Western Slope water might be replaced with water leases or additional exchanges with owners of water in the Arkansas basin. SDS might be able to assist El Paso County water districts to transport water in the early decades, before the full capacity is needed by Colorado Springs, as some of the districts grapple with groundwater issues. A number of those districts are actively purchasing water rights in the Arkansas River basin and will have to transport that water to El Paso County.

How Much Does SDS Cost?

Capital Investment

There are several ways to consider the costs of SDS. This study reports on the most obvious costs: 1) capital investment required to build the project and 2) costs faced by rate payers.

The Environmental Impact Statement (EIS) for SDS reviewed seven alternatives in detail. SDS, as the “proposed action,” was found to be the “preferred alternative”. It had the lowest capital cost of \$1.09 billion when compared with the other alternatives which ranged from \$1.21 to \$1.31 billion. SDS’ operating and maintenance cost over 34 years was also the lowest among the alternatives.

Costs estimates prepared for the EIS were derived from preliminary engineering estimates. As projects are designed and then bid-out for construction the costs become more certain. The first phase of SDS is estimated to cost \$880 million and will deliver 50 MGD of the ultimate 78 MGD of water capacity. While early feedback from bids and contracts are under budget, it would be premature to conclude the project will continue to achieve savings. Thus, the \$880 appears to be a reliable number. CSU’s share of the \$880 million is \$838 million dollars. Pueblo West, Fountain, and Security will bear the remaining cost. Fifty million dollars of the cost will be spent on flood and erosion control remediation of Fountain Creek between Pueblo and the City of Fountain.

That portion of SDS currently under construction will provide 50 MGD of water capacity, but not necessarily 50 MGD of water unless other pipelines, especially Homestake, are out of commission. That is because the \$880 million total price tag does not include all of the system components comprising SDS. The components to be built in later phases include reservoirs, affiliated pump stations, and future upgrades to the water treatment plant. The Upper Williams Creek Reservoir will be needed as terminal water storage when all other pipelines are operational. As a result, substantial additions to existing supply to address long-term demand growth will not exist until that terminal storage is built.

The other reservoir planned in the EIS proposed action, Williams Creek Reservoir, may not be needed until an even later point. It is designed to handle return water flows and thereby promotes water efficiencies which effectively increase the water supply even further. When SDS is fully completed in accordance with the proposed action outlined in the EIS, Colorado Springs will realize at least a 28% increase in water supply and the SDS pipeline will increase the CSU’s ability to pump water by at least 80%.

Unless demand growth is slower than the most likely forecast, it’s expected that a second phase of SDS will need to be completed by around 2026. The remaining phases might be deferred for another 10 to 20 years. The current preliminary estimates indicate an additional \$390 to \$740 million might be needed to complete the total proposed action from the EIS.

Water Rates: Historical & Forecasted

Colorado Springs Utilities’ customer base has heard SDS will double water rates from 2010 to 2016 -- a 12% increase per year for six years. In reality, only three-quarters of the increase is

due to SDS. The balance results from operating and other water system replacement cost increases not related to SDS. The SDS driven rate increases are required to pay for bonded indebtedness incurred to build the project.

The following table compares SDS' total bonded indebtedness for the current phase with the other largest projects in the history of Colorado Springs. To make the comparisons meaningful, all projects are restated on a per capita, inflation adjusted basis. Assuming SDS will be 80% bond financed, the current phase equals \$1,610 in bonds per person living in Colorado Springs in 2010.

Comparison of Major Water Projects in Colorado Springs' History				
	South Pikes Peak		Homestake	SDS
Decade of Construction	1880s	1890s	1960s	2010s
Bonds Issued/Capita Adj. for Inflation /a	\$ 2,440	\$ 2,417	\$ 4,348	\$ 1,610
Population	4,226	11,140	70,194	416,427
Bonds Issued in period (in 000's)	\$ 312	\$ 634	42,100	\$ 670,400
Bonds Issued/Capita /b	\$ 74	\$ 57	\$ 600	\$ 1,610

/a The inflation adjustment converts the value of the bonds per capita into 2010 dollars (adjusted for inflation) so a direct comparison is possible. /b Bonds issued stated in nominal dollars (not inflation adjusted) in the decade supported by the population at the beginning of the decade bonds were issued
Source: CSU, Time Capsule, Summit Economics

As shown in the table, Homestake, completed in 1967, required bonds totaling \$4,350 per person living in Colorado Springs in 1960.

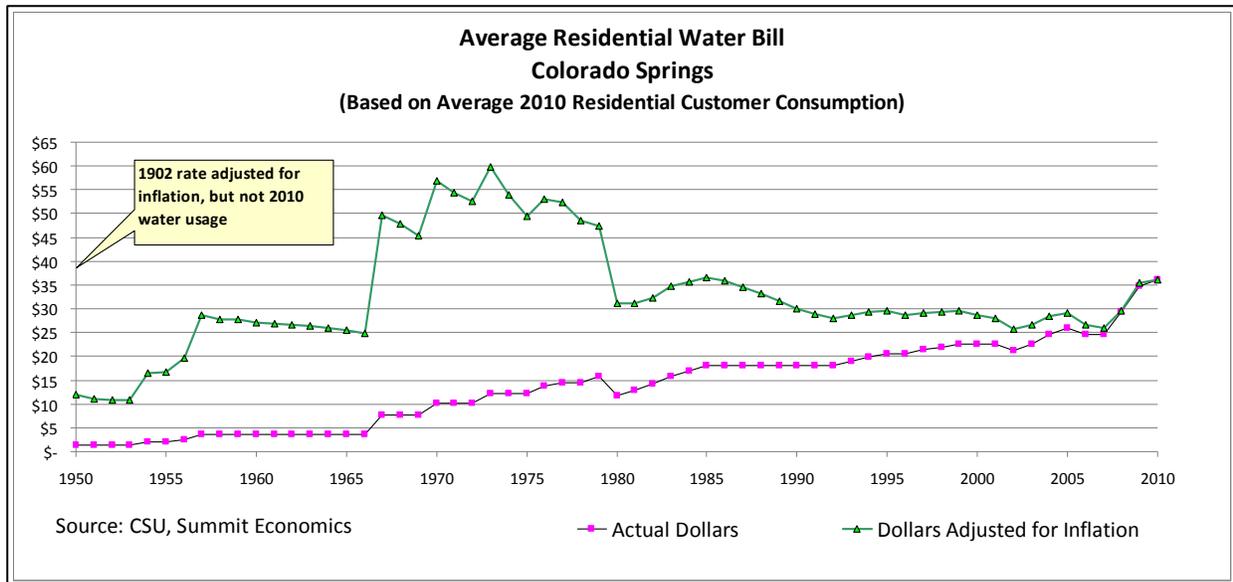
In the 1880s, just a decade after the founding of

Colorado Springs, \$312,000 was borrowed to build the first major water project. In the 1890s, as Colorado Springs entered the boom period of the Cripple Creek and Victor gold rush, another \$634,000 in bonds were issued. These bonds essentially covered development of the early and mid phases of the South Slope reservoirs on Pikes Peak and the pipelines to get the water to Colorado Springs. When adjusted for population and inflation, the per person costs for the early water projects were larger than SDS – around \$2,400 per person.

From this perspective SDS compares favorably to past projects. While the residents of the day incurred the initial burden and received greater water reliability, their early commitment also benefited future generations in terms of the support the water provided for long-term economic expansion and opportunity.

The following chart shows the impact of the bonds on residential water rates. The lower line shown in the chart is the actual average residential bill based on average 2010 residential water usage. The typical bill starts out in 1950 at \$1.31 per month. While the trend has been upwards in general due to inflation, when inflation is removed from the data (the top line), the impact of large project financing becomes readily observable.

When Homestake began delivering water to Colorado Springs in 1967, the typical bill, adjusted for inflation, jumped dramatically, by slightly over 100% in one year. The water rates continued stepping up, peaking in 1973 at \$60 per customer per month adjusted for inflation. That was a 141% increase in eight years. As population grew by 80,000 people in the 1970's and bonds



were retired early, inflation adjusted rates then dropped by one-third by 1980. Since that time, rates have remained steady due to a lack of large investment needs. This period of rate stability occurred while Colorado Springs almost doubled in size and Homestake’s full capacity was realized in 1999 with increasing amounts of water delivered as the region grew.

Similarly, the 1950s saw the Blue River pipeline developed at the same time the United States Air Force Academy was being developed. Inflation-adjusted water rates more than doubled between 1950 and 1957 and then declined slightly for a decade after accounting for inflation.

Going back even further, to 1902, water rates were \$12 per year. Usage was probably unmetered so the rate cannot be directly compared to usage today, but still, the rate equates to just over \$39 per customer per month in today’s dollars.

While the financial impact of SDS on water rates is consistent with past water projects in Colorado Springs, it is a large amount of money that impacts area households, companies and organizations. Lower income homeowner households and water intensive businesses are impacted disproportionately. This creates hardships, especially with a utility rate structure that cannot discriminate between economic classes or business types.

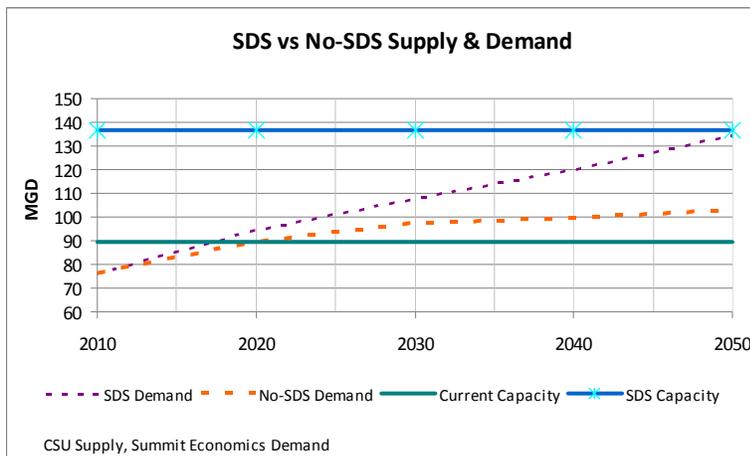
It is not the cost of water per se, but the cost relative to one’s earning or revenue potential that is significant. The typical Colorado Springs household paid \$35 per month or approximately 0.75% of their income for water in 2009. As water rates increase due to SDS bond financing, the percentage of household income committed to water will approach 1.25% of average household income after inflation. The impact will decrease as average incomes rise with inflation, debt service remains constant, and more households purchase water, lowering

the impact per rate payer. Ultimately the impact will disappear entirely when the bonds are repaid and rates drop. In the case of Homestake in 1967, the spike in rates ended by 1980.

Impact of SDS on Economic Potential – 2010 to 2050

Not having a large water project like SDS come on line in the next decade raises a myriad of questions. What will the region’s future look like if new water and delivery capacity is not developed to support the local economy and lifestyles? It can be argued that water rates would actually increase by more without SDS than with SDS as growth pressures push prices up to promote conservation due to water shortages. The real issue is probably one of pay more now or pay more later. As for the impact on the overall community, Doug Griffiths, a Canadian politician in Alberta recently published a book based on his visits to 422 communities over 13 years. In the book titled *13 Ways to Kill Your Community* he starts with “fail to provide quality water.” The same probably applies to failing to provide water in general.

Given SDS creates the water infrastructure needed to support historical growth trajectories as documented by 60 years of data, the economic impact of SDS can be estimated by creating a model to forecast growth without SDS. This allows a comparison of economic and population growth with and without SDS.



The model shown in the adjacent graph curtails growth as the 89 MGD current capacity of CSU is approached under the No-SDS scenario. Without additional water capacity, economic friction surfaces; thereby limiting growth and opportunity by creating economic drag. The model allows demand to exceed supply recognizing the community would

be pressured by growth and eventually would accept some additional risk of water rationing in dryer years. This reduces population growth in Colorado Springs from 65,804 to 51,013 people -- a 23% reduction. By 2050 population growth in Colorado Springs is 107,020 (41%) less than it would have been under the SDS forecast.

El Paso County as a whole is not impacted to the same degree as some of the lost population growth for Colorado Springs ends up in the County. By 2050 there would be 35% less population growth and 36% less job growth in the County without SDS. This assumes El Paso County can continue to grow based on non-renewable groundwater.

Impact of Not Constructing SDS on the Regional Economy				
All Impacts are Decreases from the SDS Forecast /a				
	2020	2030	2040	2050
Population C.S.	(14,791)	(33,942)	(56,905)	(107,020)
% of Baseline	-23%	-26%	-29%	-41%
El Paso County				
Population	(22,716)	(54,006)	(93,682)	(177,202)
% of Baseline	-19%	-22%	-24%	-35%
Employment	(13,175)	(30,513)	(51,525)	(97,461)
% of Baseline	-16%	-21%	-25%	-36%
Annual Dollars in Thousands /b				
Personal Income	(866,061)	(2,059,024)	(3,571,714)	(6,756,000)
GDP (000's)	(984,160)	(2,339,800)	(4,058,766)	(7,677,273)
Sales	(1,968,321)	(4,679,599)	(8,117,532)	(15,354,545)
Taxable Sales	(329,103)	(782,429)	(1,357,251)	(2,567,280)
Sales Tax		(31,297)	(54,290)	(102,691)
/a Percentages indicate the percent decrease in growth relative to the SDS forecast in the year indicated. b/ Real 2009 dollars are inflation adjusted, removing the impact of future inflation				
Source: Summit Economics				

Fewer people translates into less personal income. By 2020, \$866 million in personal income will be lost on an annual basis. That roughly equals the total investment in SDS' first phase. The loss in earnings increases annually until 2050 when the yearly loss in personal income is \$6.756 billion. By 2050 total annual final output, or GDP, would be \$7.677 billion less and yearly sales \$15.354 billion less. These reductions in potential sales reduce sales tax collections by

\$102.7 million on an annual basis.

The loss of economic activity will be felt in many ways throughout the community. A few of the more notable ways are outlined below.

- The area will be less able to provide the jobs for its own children and grandchildren. Historically, net natural population increases (births minus deaths) results in slightly more than half of the region's population growth.
- The Arkansas River/Pikes Peak region's attractiveness for military retirement will diminish as most military retirees seek a second career after retirement.
- Manufacturing, especially with water intensive processes, will probably be driven from El Paso County. Firms like Intel, which used slightly less than 1% of CSU's water when it operated in the City, will be less compatible with the community.
- Small businesses will be disproportionately impacted by not constructing SDS. As a general rule, small businesses grow as an economy grows, and an expanding economy provides opportunities for new businesses to form.
- The construction and homebuilding industries will be heavily impacted. The industry is dominated by small, independent businesses. Ninety-one percent of all construction firms in the Colorado Springs metro area have less than 20 employees and construction firms represent 12% of all small firms (less than 20 employees) in the community.

Part of the water rates that households and businesses pay goes to repay bonds, which is typical with major infrastructure projects. Virtually all of bond payments will flow out of the region. Some of these funds would have stayed in the regional economy if water rates were not increased to repay the bonds. If the project is 80% bond financed, the 13,175 job gain from

having SDS will be reduced by 188 jobs. This is less than 1.5%. By 2030 the job reduction from debt service diminishes as household and business incomes rise relative to the fixed debt service. At that point in time, the job loss is less than 0.6% of the job gain from SDS.

While often viewed as two separate economies, Pueblo and Colorado Springs really operate interdependently with one another. Their close proximity creates trade between them. In total, Pueblo and El Paso Counties exchange over \$1 billion in goods and services with one another annually. Including the next two largest counties in the respective metro areas (Fremont and Teller), the Arkansas River/Pikes Peak regional economy has sales of approximately \$64.4 billion, of which 32% are exports outside the four counties to the rest of the world and 68% are sales that stay within the region.

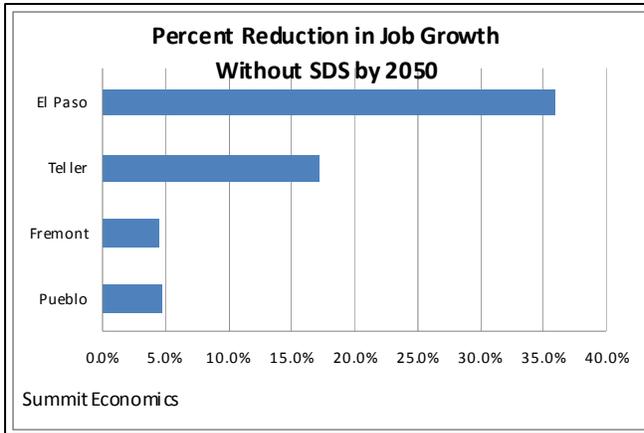
The following table shows the direction of trade, as well as commuting for jobs, in the region -- from county to county. As the table reveals, El Paso County, because of its size, has the majority of the region's total sales (\$50.3 billion) and relatively more sales and jobs staying internal to the county (69.6%) as opposed to sales to the other counties in the region or to the rest of the world. In Pueblo, Fremont and Teller counties only about half of their sales are made within their own county and relative to their total sales, a much larger percentage are sold outside the entire region (over 40% in each case). Next to sales to the rest of the world, sales to El Paso County constitute the largest percent of sales from the other regional counties.

Degree of Regional Interdependence - Pueblo, El Paso, Fremont, Teller Counties						
Trade Value from Each County to Destination of Sales (in millions of \$)						
To:	El Paso	Pueblo	Fremont	Teller	Rest of World	Total
From:						
El Paso	\$ 35,026.0	\$ 491.6	\$ 113.6	\$ 104.9	\$ 14,590.7	\$ 50,326.8
Pueblo	\$ 533.9	\$5,417.6	\$ 151.6	\$ 15.4	\$ 4,179.9	\$ 10,298.4
Fremont	\$ 68.1	\$ 28.4	\$ 1,290.4	\$ 2.3	\$ 1,109.2	\$ 2,498.4
Teller	\$ 59.6	\$ 9.7	\$ 3.0	\$ 681.1	\$ 560.5	\$ 1,313.9
Total	\$ 35,687.6	\$5,947.3	\$ 1,558.6	\$ 803.7	\$ 20,440.3	\$ 64,437.5
Percent of Trade of Each County to Destination of Sales						
To:	El Paso	Pueblo	Fremont	Teller	Rest of World	
From:						
El Paso	69.60%	0.98%	0.23%	0.21%	28.99%	
Pueblo	5.18%	52.61%	1.47%	0.15%	40.59%	
Fremont	2.73%	1.14%	51.65%	0.09%	44.40%	
Teller	4.54%	0.74%	0.23%	51.84%	42.66%	
Percent of Workers Commuting by Destination						
To:	El Paso	Pueblo	Fremont	Teller	Rest of World	
From:						
El Paso	95.00%	0.50%	0.20%	0.30%	4.00%	
Pueblo	5.30%	89.70%	1.90%	0.10%	3.00%	
Fremont	8.20%	5.60%	79.30%	0.80%	6.10%	
Teller	38.30%	0.40%	0.10%	56.00%	5.20%	
/a Pueblo metro includes Pueblo and Fremont Counties and Colorado Springs metro includes El Paso and Teller Counties						
Source: MIG, 2000 U.S. Census, Summit Economics						

Jobs stay closer to home than sales with only 3% to 6.1% of all workers living in the region having jobs outside the region. El Paso County provides jobs and sole proprietor opportunities for 5.3%, 8.2%, and 38.3% of working

residents in Pueblo, Fremont, and Teller Counties respectively.

Given the interdependence of all the counties in the region, all will be impacted by SDS. El Paso County clearly receives the greatest positive impact, as employment growth would drop by almost 36% by 2050 were SDS not built.



The adjacent chart depicts the impact in terms of relative changes in forecasted job growth in the four counties. Teller County would experience 17% fewer new jobs and Pueblo and Fremont Counties are estimated to incur 4.7% less job growth.

The impact on Pueblo County job growth does not consider the impact of Pueblo West having greater water availability and reliability. Pueblo West, which has become

a significant new home market serving Pueblo and Fremont Counties, will face the same challenge as El Paso County in maintaining its historical growth trajectory without SDS.

The Economic Impact of SDS Construction

The following table breaks out the current SDS budget by three timeframes – funds spent through 2010, expected 2011 expenditures, and total project budget through the 2016

Budgeted Expenditures (Thousands of Dollars) /a	
	SDS Phase I
Thru 2010	115,348
2011	99,767
Total	830,000
Less Non Local Expenditures for Major Components	128,600
Potential Local Expenditures	701,400
Forecasted Local Expenditures /b	280,560
/a Excludes \$50 million for Fountain Creek /b Current estimates are for 40% of expenditures to be local in Pueblo and Colorado Sprngs metro areas	
Sources: CSU, MWH	

completion.

The pipe will cost \$128.6 million excluding installation. It will have to be purchased outside the region. In addition, over \$100 million in each of the major construction categories (pipeline, pump stations, and water treatment plants) which could, theoretically, be spent locally are expected to be procured out of the region due to the lack of local availability. This leaves an estimated 40% of the potential local expenditures actually being

spent locally.

CSU is committed to buying as locally as much as possible and is conducting an extensive business outreach program. Approaches pursued to date include hosting business opportunity workshops for contractors and other companies seeking to bid on various aspects of the project, as well as providing updated information via the program’s website -- www.sdswater.org. CSU’s enterprise goal is 30% of local procurement and has historically promoted outreach to local companies including small and disadvantaged businesses.

As shown in the following table, the total impact on regional jobs and household earnings should reach 500 employees with \$19.3 million in wages in 2011 and average 786 employees

and \$30.3 million in earnings annually between 2011 and 2015. These are direct and induced jobs with the latter being jobs that result from household expenditures of the direct jobs employed by the project.

Total Employment and Earnings Impacts by Place of Work						
Forecasted Direct and Induced Jobs	El Paso	Pueblo	Fremont	Teller	Total	
Thru 2010	496	138	31	15	680	
2011	365	101	23	11	500	
Annual Average 2011-2015	573	159	35	18	786	
Forecasted Direct and Induced Earnings (In Millions)	El Paso	Pueblo	Fremont	Teller	Total	
Life to Date 2010	\$ 18.7	\$ 5.2	\$ 1.2	\$ 0.6	\$ 26.2	
2011	\$ 13.8	\$ 3.8	\$ 0.9	\$ 0.4	\$ 19.3	
Total During Design & Construction	\$ 127.6	\$ 35.5	\$ 7.9	\$ 3.9	\$ 178.9	
Annual Average 2011-2015	\$ 21.6	\$ 6.0	\$ 1.3	\$ 0.7	\$ 30.3	
% Average Impact on Local Economy /a	0.18%	0.23%	0.21%	0.18%		
<small>/a Average annual total jobs created divided by 2009 jobs in each county.</small>						
<small>Summit Economics</small>						

A more detailed look at the county level shows the bulk of the jobs accruing to El Paso and Pueblo Counties at an annual average of 573 and 159

respectively. Over the life of the construction project \$127.6 million in earnings will be paid to El Paso County residents and \$35.5 million to Pueblo County residents. In total, \$178.9 million or approximately 22% of the \$830 million dollar project cost will stay within the region as earnings.

Expected Future Expenditure Patterns for Local Work Compared to Distribution of All Regional Sales			
	Forecasted Local SDS Expenditures	Distribution of Local SDS Expenditures	Distribution of All Regional Sales
El Paso County	\$ 189,378,000	69%	78%
Pueblo County	\$ 63,126,000	23%	16%
Fremont County	\$ 14,028,000	5%	4%
Teller County	\$ 7,014,000	3%	2%
Total	\$ 273,546,000	100%	100%
<small>Source: CSU, MWH, Summit Economics</small>			

The distribution of expected local expenditures is compared to the overall distribution of sales within the region in the following table. While El Paso County will receive the largest share

of local expenditures, Pueblo County will gain the most proportionately to the relative magnitude of their historical sales.

Conclusion

The findings of this report indicate new water supply capacity is critical to support future economic development. Even more important is the diversification SDS provides for the region's water supply. Changes in the western United States create an uncertain future when it comes to water. The changes are on every front - political, legal, climatic, economic, and social. The potential threats to the Colorado Springs water supply also exist at every jurisdictional level – international, federal, state, river basin, county, and city. In addition, two of the three pipelines currently supplying Colorado Springs are over 40 and 50 years old respectively. Maintenance will become more frequent and outages longer in duration.

To those who understand the ultimate need for a large project, but think the timing is a little too soon, it should be remembered that the initial trial balloon for a major new water project, Homestake II, was floated in the 1980s. Political and legal forces shot it down. Then there was a lull until the 1996 Comprehensive Water Resource Plan identified SDS as the best approach to meeting the water needs of Colorado Springs until the mid-21st Century. The water restrictions of 2002 prompted the City Council/Utilities Board to instruct CSU to bring the project online by 2006. In retrospect, building a large water project in a few years is virtually impossible, but the policy directive clearly indicates the sense of urgency in the community at the time.

SDS will be completed in 2016. Based on historical growth rates the additional water capacity will be just in time to insure a reliable water supply. The clock is ticking on approved permits and all is ready to go – with \$115 million already spent and another \$50 million committed to the Fountain Creek watershed restoration. Many commitments were made to acquire the needed permits and failure to live up to the commitments could derail further attempts to acquire new permits to build a project at a later time.

Hesitating to move forward with SDS would have serious economic consequences to Colorado Springs and El Paso County with impacts felt among all of its regional neighbors. While most serious policymakers and stakeholders actively engaged in western water issues over the last century recognize water on its own does not drive an economy, they readily acknowledge water is the quintessential infrastructure needed to support economic development when a community is fortunate enough to possess the opportunity. The leadership and citizenry of Colorado Springs understood this throughout the City's 137 year history and were willing to bear the front-end costs to benefit themselves and future generations.