



CITY OF ENTERPRISE

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April 30, 2008

Utah Division of Water Rights
Attn Jerry Olds, State Engineer
1594 West North Temple Suite 220
P.O. Box 146300
Salt Lake City, Utah 84114-6300

Dear Mr. Olds:

This letter is in response to your invitation to respond to the January 10, 2008 meeting regarding the creation of a Groundwater Management Plan for the Beryl / Enterprise area.

For the most part the meeting was productive, informative, and reflected some of the important progress that has been made in the many discussions held previously.

However, I must take exception to the presentation on the Economics of Groundwater Use in the Beryl-Enterprise Area. This information was very confusing and not well understood by the public. The presenter seemed disoriented at times himself as he determined to demonstrate his formulas in an effort to show there would be minimal long-term economic impact to the farmers, even if they were to lose nearly half of their water.

There were numerous flawed assumptions included in the model that were seriously inaccurate; and therefore, rendered his findings and the resulting outcome to be of little or no value.

Without attempting to identify all of the flaws, I wish to point out just a few.

The presenter failed to recognize a well understood and fundamental principle regarding the normal and predictable appreciation of land values. This has been a historical pattern over many decades. There is no reason to expect this to change, but there was no allowance for this factor in the model.

The presenter claimed to have consulted with local bankers to arrive at a land value of approximately \$3,000 per acre. The bankers present shook their heads in dismay with this statement. When pressed for his sources, the presenter could not identify a single one. In the most recent transaction of any consequence in our valley, the land with water was sold for \$8,000 per acre. This error in his figures seriously distorts his findings.

The presenter used \$88.57 as the average price per unit for alfalfa hay in his computations. He is apparently out of touch with today's market environment. Demand has remained very strong for several years and the value used is clearly less than 50% of usual and customary prices.

With these highly visible discrepancies, the credibility and accuracy of the economic information presented was viewed in my opinion as a meaningless and unacceptable effort to justify an aggressive water reduction plan.

With that said, I remain optimistic that an acceptable compromise can be found. The Escalante Valley Water Users (EVWU) are advancing another proposal for consideration that I believe has merit. This concept will meet the objective of the State Engineer for safe yield and yet will establish a gradual implementation period that is called for in statute and could result in an acceptable economic impact to the farming community and the City.

Should the State Engineer find this approach agreeable, it would enable the EVWU leadership and Enterprise City to focus on some important plan components during the legislative imposed moratorium. This could include a pooling agreement, a water management district, and a plan to explore protection for municipal and culinary water rights. The willingness to address the difficult challenge of managing the hundreds of small junior culinary rights should be of great appeal to the State Engineer.

It is our intent to remain engaged in the planning process for our future. Despite the budget constraints for the coming fiscal year, the State Engineer can enable us to continue with this process with an acceptable memorandum of understanding on the proposal being submitted by the Escalante Valley Water Users.

Respectfully

S. Lee Bracken
Mayor