THE CONSOLIDATED HOME SUPPLY DITCH & RESERVOIR COMPANY is 90 years old this year. It has met and safely passed many major crises during a long and useful struggle to serve this agricultural community. More troubled times lie immediately ahead. The headlong and reckless pace of urbanization is placing the Home Supply and all neighboring ditch companies under terrific pressure to survive. This type of crisis is probably the real issue facing the Home Supply today. To safely weather the storm and keep the usefulness and the integrity of the Home Supply for the benefit of all stockholders will require the full cooperation of every interested person. This is the time for cool heads, working together, to forget petty personal likes and dislikes and unite for the good of all Home Supply stockholders and water users.

Within the next few days you should receive notice of a special meeting of Home Supply stockholders to be held at Loveland, Colo., on Monday, July 12, 1971. The Company President has called this meeting at the signed request of stockholders owning at least 25% of Home Supply stock outstanding. Such a meeting will be expensive and time-consuming. Now is the time for every shareholder to learn the basic underlying facts and then let his conscience and best judgment be his guide.

Please carefully consider this evidence:

1. Article II of Home Supply By-Laws begins with this introductory statement, "The stock, property, and business of this Company shall be under the control of six Directors who shall be elected at the Annual Meeting of the Company." NOTE: Directors are each elected for 3-year terms on a staggered term system with the terms of two Directors expiring each year.

   Article V of Home Supply By-Laws begins with this requirement: "The superintendent shall have charge of the waters of the ditch, under the supervision of the Directors."

   The adoption of the 3 proposals may well weaken or destroy the above two legal and basic regulations which have served the Company so well through all its history.

2. Dissatisfied stockholders in this, or any company are provided by law with the legal means of correcting their grievances in the following ways:

   If a majority of all Home Supply stock is represented, either in person or by proxy, 2 new Directors and 1 new Associate Director may be elected by polling a simple majority of stock represented at any regular annual meeting.

   At any annual meeting of Company stockholders or at a special meeting called for the purpose, and again, if a majority of all stock is certified present in person or by proxy, the Company By-Laws may be changed or amended by a 2/3 majority vote.

   In this manner, those who may be dissatisfied with the present policies of the company may change them in a legal and democratic fashion.
Let us discuss the petition one point at a time.

1. (A request to change water order hours from the 10:00 A.M. to 2:00 P.M. period that prevailed last year to a proposed 4:00 P.M. to 9:00 P.M.)

This order time requirement was discussed at length during the Dec. 14, 1970, annual meeting of stockholders. The free exchange of ideas on the subject was brought to a hand vote and the proposal was defeated.

The pros and cons of ordering water were again kicked around at a special information meeting of Home Supply stockholders held Jan. 29 at the Triple S Lab. No serious objections to the 10:00 A.M. to 2:00 P.M. time were voiced. Consequently, as required of them annually before the start of irrigation, the Directors, at a regular meeting held March 1, 1971, set the 1971 water order hours at 10:00 A.M. to 2:00 P.M. The vote of the Board of Directors was unanimous in favor of the motion.

Necessary procedures that must be followed to secure enough water to guarantee the following day's delivery to users have changed greatly during the past 15 years. Colorado-Big Thompson Project water must be ordered by the Home Supply Manager by 3:00 P.M. The water so ordered is released into the Big Thompson River at the mouth of the canyon at 7:00 A.M. the next morning. Approximately 10-12 hours are required for this water to reach Lone Tree Reservoir via the Home Supply canal. The water must then be temporarily held in Lone Tree Reservoir overnight after which it is released at about 5:00 A.M. the following day into Home Supply ditches below Lone Tree for delivery to users. It requires approximately another 12 hours for the released water to find its way to the end of the Home Supply Extension north of Johnstown. Thus, 50 hours have passed, on the average, from the time project water is ordered until it is delivered to the last customer located on the tail end of the ditch system.

It is interesting to note that, with only one or two exceptions, all irrigation systems in Larimer County which must depend to a large degree on reservoir, exchange and foreign sources of water, have found it necessary to set an early deadline hour for ordering water. The fact of these closing hours have been obtained from officials of the various ditch companies which have been studied, and vary from 11:00 A.M. to 4:00 P.M. Four of the ditches require 48 hours notice after their respective early river rights disappear.

Exchange water makes up another major source of irrigation water on which the Home Supply must rely. The practice of 'exchange' as it pertains to the Home Supply provides for the release of stored water from either Mariano Reservoir or Lon Hagler Reservoir back into the river in return for the right to take an equivalent amount from the river higher up at the Home Supply canal diversion (Big Dam).

This 'exchange' privilege must be arranged through the Local Water Commissioner, who also requires to be notified by 3:00 P.M. in order to make arrangements to start exchange water into the head of the ditch at the Big Dam by 7:00 A.M. the following morning. Thereupon this type of water uses the same amount of time as required by project water to reach the end of the Home Supply Extension. Thus, exchange water needs likewise be anticipated and provided for about 50 hours in advance of the time it reaches the last irrigator down the ditch. So, it can be readily seen that even with a 2:00 P.M. deadline for accepting irrigation orders it is occasionally necessary to do some educated guessing and advanced planning to juggle available waters starting with direct flows from the river; then adding stored water from Lone Tree Res. and, by about July 1, to draw more supplemental water from the Colo.-Big T. Project; and from Mariano Reservoir exchange and from Lon Hagler Res. exchange; then add enough additional water to care for shrinkage in the main canal and
then deliver the whole sume total mixture down the 38 miles of canal system to some 150 headgates at the time, place and in the amount ordered the previous day be each user. Moreover, all this must be done with no more than a 2% average error each day.

As most stockholders know, Home Supply, on July 14 NOON of each year loses most of its river water. Between July 14 Noon and August 31 midnight, the company has only 10-15 cfs of this type of water left. After August 31, this source of water drops to 5 cfs, excepting on very wet Fall seasons. Consequently, after mid-July, 80-90% of all water delivered by Home Supply consists of managed waters. Roughly 1/3 comes from Lone Tree Res. which requires about 12 hours to deliver; about 1/3 comes from project water, which takes an average of 50 hours from time of order to actual delivery to the last user down the ditch; the approximate remaining 1/3 is drawn from exchange reservoirs with at least 45 hours needed between orders and final delivery to farms.

The entire reason and necessity for not accepting Home Supply water orders after 2:00 P.M. daily for delivery the following day is to enable the company to meet the 3:00 P.M. deadline required by the Northern Colo. Water Conservancy District when ordering project water; and, to also meet the same 3 P.M. time limit set by the Divisional Irrigation Engineer for the State of Colorado to arrange for starting; for changing rate of flow, or for terminating exchange water releases. These changes in project and exchange releases into the Home Supply occurred 18 times during 1970 alone; they comprised almost 1/2 of all water delivered through the Home Supply and all of such water orders must honor rules set forth by the State of Colorado and by the Conservancy District.

2. (20 cfs, required to start water delivery in Spring and thereafter only 5 cfs, in orders shall be needed to keep the system operating.)

Regardless of what minimum flow figure might be entered into Company rules and regulations, the Home Supply cannot operate and give reasonable service on less than a 20 cfs. flow. 5 cfs. will not travel to the end of the ditch even if run all summer. Daily canal losses are much greater than this. However, during the past 16 years, and in order to help early and late season water users, Home Supply has timed the early and the late fillings of Johnstown's Municipal Reservoir in such a manner as to use the amount of water thus run as a substantial part of the required 20 cfs. needed to efficiently operate the system. This procedure allows individuals the privilege of early or late irrigation even if only 3 or 4 users are desiring water.

3. (Rent no foreign water at the expense of the stockholders at large.)

Home Supply has not rented any outside surplus project water (excepting as contracted from cities) since the 1966 season. But, if drouth conditions which are sure to occur in future years, make such non-city outside rentals necessary or desirable, the company will obtain firm commitments, accompanied by payment, from users needing and wanting such extra water.

As a matter of history, during the severe drouth year of 1956, more than 90% of all Home Supply water users rented outside water to supplement their own limited supplies. Home Supply, itself stepped into the emergency and rented large blocks of surplus project water from the Riverside and Bijou Irrigation Districts and from various towns and cities. This water was re-rented to users who needed and wanted it at a 'delivered to the headgate' cost basis. Had it not been for vitally needed extra water, Home Supply would have exhausted its water supplies by mid-August and could have delivered no more water to any stockholder, excepting those few individuals controlling unusually good water rights.
Point No. 3 in the petition, if adopted, would make it impossible in future inevitable dry years for the Home Supply to act in behalf of its stockholders in assuring a minimum required water supply.

In 1954, another dry year, the company was unable to secure extra water for desperate farmers. Result: a very few individuals with water to rent were charging $100.00 per 100 inches by Fall. This fact is yet one more hidden issue which lies beneath the 3 points listed on the petition.

Let's compare Home Supply's financial condition from 1955 with the 1970 Professional Audit:

<table>
<thead>
<tr>
<th>Total Assets:</th>
<th>Stockholders' Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955 - - $ 200,259.21</td>
<td>(Stockholders' net ownership in the Home Supply after deducting Indebtedness and Other Liabilities - as computed by Professional Auditors):</td>
</tr>
<tr>
<td>1956 - - 204,885.75</td>
<td>1966 - - - - - - $ 244,925.89</td>
</tr>
<tr>
<td>1957 - - 203,552.50</td>
<td>1967 - - - - - - 258,328.00</td>
</tr>
<tr>
<td>1958 - - 208,790.22</td>
<td>1968 - - - - - - 269,181.00</td>
</tr>
<tr>
<td>1959 - - 211,038.34</td>
<td>1969 - - - - - - 277,178.00</td>
</tr>
<tr>
<td>1960 - - 209,685.39</td>
<td>1970 - - - - - - 285,159.00</td>
</tr>
<tr>
<td>1961 - - 235,862.07</td>
<td></td>
</tr>
<tr>
<td>1962 - - 226,940.85</td>
<td></td>
</tr>
<tr>
<td>1963 - - 232,191.24</td>
<td></td>
</tr>
<tr>
<td>1964 - - 237,577.59</td>
<td></td>
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<tr>
<td>1965 - - 238,428.05</td>
<td></td>
</tr>
<tr>
<td>1966 - - 402,251.03</td>
<td></td>
</tr>
<tr>
<td>1967 - - 830,145.00</td>
<td></td>
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<tr>
<td>1968 - - 804,508.00</td>
<td></td>
</tr>
<tr>
<td>1969 - - 826,878.00</td>
<td></td>
</tr>
<tr>
<td>1970 - - 827,109.00</td>
<td></td>
</tr>
</tbody>
</table>

In 1955, 1 share of Home Supply stock was worth $700.00. Early 1971 stock sales have been moving at $2,000.00 per share and more.

In 1955, one A.F. unit of Colo.-Big Thompson Project water was worth from $5.00 to $30.00. Now allotment holders are selling project water at $260.00 or more per unit.

1938 was a very wet year. Home Supply issued more than 19 A.F. per share of stock, the largest issue ever made by the company. However, due to present day heavy water demands brought on by extensive growing of row crops and malting barley and by the heavy use of commercial fertilizer, Home Supply has delivered more net water to users in 12 of the past 16 years than was delivered in 1938.

The rock quarry property purchased in 1957 for $2,500.00 is now worth at least $40,000.00.

In 1955, Home Supply had no reserve fund. On Dec. 14, 1970, the reserve fund in certificates of deposit amounted to $50,000.00. Total earnings from all C.D.'s from 1967 to 1970 inclusive have amounted to $15,081.89. No short term, high interest operation and maintenance credit funds have been necessary since 1966.

In its 90-year history, Home Supply has, on four different periods of its existence, been forced to enter into a crash program of repairs and improve-
ments in order to survive as a company.

Home Supply was founded in 1881 and 1882 with only Lone Tree Reservoir and a very late river appropriation (No. 50) as sources of water. Before the middle of each July, stockholders who could not be served from Lone Tree Res. (about 50% of all stockholders) had no source of water for the balance of the season. This situation, if not corrected, would have killed the company in short order. It was then that a bold and ingenious plan was hit upon to keep the upper 1/2 of the Home Supply system alive after river rights failed, on or before mid-July. The idea of an exchange reservoir was hit upon to trade water with the river. Thus Mariano Res. was acquired and developed. Many Stockholders on the lower half of the ditch objected to helping pay for water development that would serve the stockholders on the upper half of the system. A long and bitter battle between the have and the have-nots followed. The lower-end interests even threatened law suits against those who paid equal assessments, but had no water after mid-July. A move was started to split the company into two legal units. This action, of course, would have killed the entire company because the upper half could not exist without the lower half and vice-versa. Fortunately, however, cooler heads prevailed. The battle was arbitrated, and the company acquired a second reservoir, without which the Home Supply would have folded up and quit before 1900. G. A. Hamilton, who served as director from 1896 until 1926, made the speech that saved the unity of the company and, incidentally, led the way for approval of Mariano Res.

The situation in 1971 is similar to 1888. A few stockholders with excessive water rights are reluctant to invest in the future of Home Supply for the general good of all shareholders. Home Supply now has one of the finest and most improved irrigation systems in the State of Colorado. Management and shareholders alike must work together to keep it that way.

When Lon Hagler became superintendent of the Home Supply in October, 1907, he found the entire ditch system in a near state of failure. An intensified effort was made over the next 5 years to rebuild the physical works of the company to enable it to furnish irrigation water to its owners. A typical one-month period of this effort to save the ditch is shown from the records of October, 1908, when 73 different checks were drawn to pay for work on the ditch.

From 1915-20 another intensified effort was made to improve the Home Supply. It was during this period that at least 90% of all concrete work, headgates, clay tile outlets and cippoletti measuring devices were installed. The concrete work represented a good job in its day, but it contained no steel reinforcing and no adequate footings. Most of the sand and gravel on the upper end of the system was simply scooped from the deposits in the canal and mixed, dirt and all, into the concrete mix. Headgates were not rust resistant, and clay tile outlet line joints were set in weak mortar which cracked and broke anew with each passing winter.

Until 1965, these World War I period repairs were the last major attempt to keep the Home Supply in top shape. This situation was, in no way, the fault of Mr. Hagler. Stockholders simply did not vote the money to keep the system in top operating condition.

A systematic study, made in 1958, revealed that, since about 1930, the Home Supply was suffering an annual depreciation of $30,000.00 due to lack of proper maintenance. However, until 10 years ago, Home Supply did not face up to this fact of "improve or die" and take recognition of the fact that 80-90% of all concrete, metal, clay pipe and wooden measuring devices were depreciated beyond
economic repair. Something had to be done and quickly before the ability of the Home Supply to serve its users collapsed in mid-season.

Following is a summary of what Home Supply has done to overcome 50 years of deterioration and, when the Home Supply Watershed Project is completed in 1972, Home Supply probably will be in as good or better physical condition to serve its shareholders as any mutually-owned ditch and reservoir company in the state of Colorado.

During 1958, a thorough and complete survey was made by Home Supply itself with advice from irrigation engineers, contractors and suppliers to determine what must be done to overcome the effects of 40 years of deterioration on dams, dikes, headgates, checks, measuring devices and all other necessary appurtenances required to satisfactorily operate and maintain an irrigation system. No government agency participated in this survey. Results of the study revealed that an estimated $600,000.00 at 1958 prices, would be required to do the minimum job required to restore the Home Supply to an acceptable standard of safety and efficiency. (Bear in mind that approximately 90% of all Home Supply concrete work before 1965 was done in the 1915-21 period.)

After investigating many possible sources of credit, including the "Bank for Cooperatives," it became evident that interest rates from such sources were too high and the required repayment period was too short. The "Bank for Cooperatives" in 1958 tentatively offered money repayable over a 20-year period @ 5%. Thus, in order to amortize the loan, stock assessments would have amounted to $22.50-$25.00 per share, which when added to $15.00 per share Operation and Maintenance costs, would have set the annual assessment at $37.50 - $40.00 per share at 1958 costs. (No new reservoir would have been built under this plan.)

After a great deal of vigorous pro and con discussion during many annual meetings and special meetings called for the purpose over a span of nearly 5 years, Home Supply stockholders on May 28, 1963, officially approved a complete irrigation system rehabilitation program plus the creation of a new 5,000 A.F. reservoir under the provisions of U.S. Public Law No. 566, and supervised by the U.S. Soil Conservation Service, with approved credit available from F.H.A. A $650,000.00 loan at 3.137% interest payable over a 50-year period was approved.

Annual F.H.A. debt retirement payment will be approximately $27,200.00 and will require $13.60 per share assessment.

Federal matching funds ($1.00 for $1.00 for project construction) was guaranteed. When the project is complete, hopefully in 1972, approximately one and one-quarter million dollars of construction will have been done on the Home Supply on a $650,000.00 loan. At the end of the 50-year repayment period, Home Supply will have paid a total debt repayment, plus interest, of about one and one-third million dollars, or the approximate equal to the cost of the total project if the one and one-quarter million had been borrowed, interest free.

NOTE: Financial benefits listed below total $704,631.66 and did not cost Home Supply stockholders one penny.

Examples of financial assistance to Home Supply provided by various agencies and individuals (by work, money and water):

a. Office emergency planning - 1965 flood repair . . . . $7,210.77
b. State of Colorado - toward purchase of Ed Anderson farm (Home Supply owns Lon Hagler Res. and the immediate surrounding area) . . . . . . . . . . . . 47,000.00
c. Larimer County - realignment of canals and sloping of deep vertical cuts in exchange for road fill material (estimated at 50¢ per cu. yd.) ............... 25,000.00
d. Colo. State Highway Dept. - realignment of canal for highway fill material ........................................... 7,500.00
e. Reimbursements from Lateral Ditches, etc. .................. 5,590.50
f. R.O.W. privilege reimbursements .......................... 4,419.55
g. State Game and Fish Dept. - canal realignment ............. 1,200.00
h. Assistance on grass seeding projects ......................... 8,010.84
i. Assistance on fencing work .................................. 1,500.00
j. Engineering and surveying and construction supervision by S.C.S. (estimated at 20% of contracted project construction costs) ............................................. 250,000.00
k. Colo. State Conservation Board acting as contracting agency - 5 years @ $4,000.00 per year) ......................... 20,000.00
l. S.C.S. assistance toward repairing Lon Hagler Dam rip-rap and concrete canal lining ................................ 50,000.00

Countless other savings have been brought about due to the diligence of company directors and management, chief of which was the elimination of a $20,000.00 automatic spillway device from the final construction plans for Lon Hagler Res. (1/2 of this item would have been borne by Home Supply or) . 10,000.00

Due to a major error in the 1888 capacity survey of Mariano Res., the lake's filling decree was officially listed as 4,132 A.F. or 180 million cubic feet. The actual capacity of Mariano has historically been 5,571 A.F. or 1,439 A.F. more than the capacity listed by the State of Colorado. Twice since 1888 (once in June 1953 and again in April 1964, Home Supply was obliged to use considerable legal and engineering assistance just to get a year-by-year reprieve against the loss of 1/4 of Mariano's filling right.

In 1970, the State Legislature forced a showdown with all holders of direct flow or res. decrees. A full listing of all such decrees recognized by the state was published and a deadline was announced, after which, if no legally valid protests were made, decrees would be enforced as published. Mariano Reservoir's published decree was listed as 4,132 A.F. Home Supply registered a protest within the required time and after almost a year of intensive effort, has proved its point to the satisfaction of the State Engineer. Henceforth, Mariano's decreed capacity will be listed as 5,571 A.F. The 1,439 A.F. capacity thus saved for future use of Home Supply's stockholders has a conservative value (at today's construction costs: 1,439 A.F. x $130.00) of $187,070.00

Colo. Game and Fish Dept. - construction of gravelled access roads at Hagler Res. (estimated) ......................... 10,000.00

Surplus project water (free of charge) transferred to Home Supply for the benefit of all stockholders amounted to a total during the past 4 years (1967 through 1970) of 14,026 A.F. which, at $5.00 per A.F., was worth $70,130.00. This water was voluntarily transferred into the Home Supply for October storage by the City of Loveland, Louden Ditch Co., Handy Ditch Co., Greeley and Loveland Irrigation Co. and others. The 14,026 A.F. was over and above surplus project water rented from Loveland, Johnstown and Estes Park under contract and was an entirely free source of extra water which was run pro-rata, according to shares, to stockholders during the season immediately following the annual fall storage period.
1967 - 3,928 A.F. free
1968 - 2,558 A.F. free
1969 - 4,540 A.F. free
1970 - 3,000 A.F. free
* NOTE - Because of construction work on the main canal and because of riprap repairs on Lon Hagler Res., only 628 A.F. could be stored out of the 3,000 A.F. generously transferred by the Handy Ditch Co.

TO SUMMARIZE

POINT #1 After July 14 noon annually, about 90% of all water supplies drawn by Home Supply comes from the company's 3 reservoirs and from Colorado-Big T Project water. Two-thirds of this late-season water must come from exchanges with the river plus project water allotments. ALL of this type of water must honor the 3:00 P.M. deadline for ordering set up both by the Northern Colo. Water Conservancy District and by the Divisional Irrigation Engineer for the State of Colorado. The board and management feel, based on their knowledge of the operation of the system under present conditions, that a deadline later than 2:00 P.M. is not workable.

POINT #2 The main Home Supply canal, above Lone Tree, is designed to carry 321 cfs. Gross water deliveries below Lone Tree often exceed 225 cfs. The system will not operate on less than 20 cfs., regardless of what man-made rules might be applied.

POINT #3 No foreign water, excepting as contracted from Loveland, Johnstown and Estes Park, has been rented by Home Supply since 1966. These supplemental water rental plans were originally entered into by the company during the 1954-56 drouth to help 90% of Home Supply's individual stockholders who could find extra water from no other source. To deny the company the right to help its water users, is to deny the ability of farmers to save their crops during years of sub-normal irrigation supplies.

The late and beloved president of the Consolidated Home Supply Ditch & Reservoir Co., George W. Lee, served the Home Supply for 44 years as director; and for 36 of those years as President. George devoted thousands of hours to the betterment of the Home Supply. He always placed the interests of the company ahead of his own. The last few years of his life were devoted to helping make a reality of the dream of rebuilding the Home Supply system and to increasing its water supply to assure that the company could continue to efficiently provide ample water, without which Home Supply stockholders and the entire Loveland economic community could not grow and prosper.

Mr. Lee had a yardstick by which he measured all things which vitally affected the ditch company he served so unselfishly. "If it's good for the Home Supply," he used to say, "it's good for George Lee." Every stockholder might do well to adopt Mr. Lee's philosophy and work together for the betterment of all.

Respectfully submitted with the sincere belief that:

"United We Stand - Divided We Fall"

Kenneth M. Markham, President
PROXY

I, or we, do hereby appoint ___________________________________________ or
__________________________________________ my
proxy to vote for me (us) in my (our) name, place and stead, the number of
votes to which I (we) would be entitled if personally present at the Special
Meeting of Stockholders of THE CONSOLIDATED HOME SUPPLY DITCH AND RESERVOIR
COMPANY to be held at Loveland, Colorado - Monday - July 12, 1971 at 9:00
o'clock A.M. or at any adjournment thereof.

The Home Supply President has called this special stockholders' meeting at
the signed request of petitioners owning more than 25% of the company stock
outstanding.

The following 3 points, exactly as listed on the petition, are the only items
on which action can be taken during this meeting.

1. To consider the change in the Board's policy for the hours of
ordering water and to change the same to permit ordering water
from 4:00 P.M. to 9:00 P.M. on the day prior to the use of the
water by the farmers.

2. To consider the changing of the running rule to establish a
rule whereby 20 cubic feet per second of time is required to
start the ditch in the Spring and thereafter 5 cubic feet per
second of time is all that is necessary to continue the operation.

3. To adopt a rule whereby the Board of Directors of the Con-
solidated Home Supply Ditch and Reservoir Company can no longer
purchase for water at the expense of the shareholders of the
Ditch Company at large.

No other action may be considered at this meeting.

(All equity owners must personally sign proxy.)

Stockholders Signature(s)

I, or we, own_____ shares. (____________________________________)

(____________________________________)

(____________________________________)

(____________________________________)
Duplicate pages not scanned

See originals in folder

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Colorado State University Libraries