

**PRESIDENTIAL GUIDANCE COMMITTEE II**

**THE OLD FORT FEASIBILITY COMMITTEE REPORT**

**APRIL 25, 2011**

## **Old Fort Feasibility Committee**

**Maureen Brandon, Chair**

**Paul Booth**

**Beth LaShell**

**Shere Byrd**

**Terry Gasdia\***

**Roy Horvath**

**Wayne Kjonaas**

**Doug Lyon**

**Steve Stovall**

**Rick Wheelock**

**Students:**

**Bobby Abshire\***

**Christine Myers**

**Kathy Elliott**

Mitch Davis, ex officio

Ken Francis, ex officio

Steve Schwartz, ex officio

Thanks to each of you for agreeing to serve on the Presidential Guidance (PG-2) team to continue the work of last year's Old Fort Task Force. Your work will help the college honor its historic legacy while enhancing our educational mission. It's very important work and I'm pleased to have such a strong, multi-discipline team.

Last year, the Old Fort Task Force developed a variety of possibilities for uses for the land and buildings at the Old Fort. Originally set up to determine long-term uses after Colorado State University's lease ended in 2017, the committee had to change course when CSU terminated its lease early, in June 2010. This development has made the original task of the committee more difficult: instead of having seven years to develop plans, the college must arrive at feasible plans in a very short time. Nevertheless, the variety of ideas presented in April 2010 to the BOT present a reasonable starting place for this year's Old Fort Feasibility Committee.

We value the educational mission that is part of the Old Fort legacy. We have a rich legacy in the land and buildings, which we must honor. At the same time, we must work to avoid putting Fort Lewis College at financial risk.

My charge to the committee is to take last year's visions and see what is possible: in particular the committee needs to determine the costs of these visions and establish cost parameters. With the current budget scenario, Fort Lewis College is not in a position to establish uses that will require new resources. The new programs must either bring resources in to the college or be cost neutral. The college will need funding for some basic staffing of the property/facilities and will need to fund utility costs, minor repairs, safety concerns, and coordination of property/facilities. Recovery of these costs will be extremely important because of the current funding environment in the state of Colorado. Partnering with other agencies whose missions and interests are complementary and who have resources to bring to the table should be a

strong consideration. Consider how we can best develop the Old Fort programs in phases, so we can move forward with a strong program as resources become available.

The recommendations from this committee will need to be presented not only to the president, but also to the Board of Trustees and to the Colorado State Land Board.

I am asking for a preliminary report in early March and a final report in late April. Thank you for your service on this most important task.

\*Terry Gasdia resigned from the Committee in October of 2010 due to personal reasons. Bobby Abshire left the Committee when his term as an ASFLC Senator expired on December 30, 2010.

## **Introduction**

The Old Fort Feasibility Committee was charged with the fiduciary duty to preserve the Fort Lewis College access to the Old Fort property while ensuring that the expenses associated with the Old Fort property do not jeopardize the educational mission of Fort Lewis College. During the 2009/2010 academic year, the Old Fort Task Force identified a variety of possible activities to be undertaken on the Old Fort property. The Old Fort Feasibility Committee is mindful of the Task Force findings, and shares the vision espoused therein. However, we approached our task with a different charge. One of our key constraints is the imperative that should Fort Lewis College take over the management of the Old Fort property, activities on the property must cover the expenses of the Old Fort by July 1, 2011.

Due to the complexity of the financial and management issues related to the Old Fort, the full committee divided into sub-committees that could focus on one particular set of issues. The list of sub-committees and a description of their charges is below.

### **Academic Sub-committee:**

Membership: Beth LaShell, Paul Booth, Rick Wheelock, Christine Myers

Identify the current Fort Lewis College academic uses (classes and research) of the Old Fort property, propose new academic uses, and analyze the potential impact of those academic uses on the basic operating expenses of the property.

### **Deferred Maintenance Sub-committee:**

Membership: Wayne Kjonaas, Ken Francis, Steve Schwartz

Analyze the status of the Old Fort infrastructure and estimate the costs of repairs and necessary upgrades.

### **Community Sub-committee:**

Membership: Roy Horvath, Steve Stovall

Identify community members interested in the Old Fort property; assess community concerns and identify potential community partners.

### **Financial Sub-committee:**

Membership: Doug Lyon, Shere Byrd, Maureen Brandon, Kathy Elliott

Organize the Fort Lewis College financial documents in order to understand the basic operating expenses of the property. Identify current revenue streams, and identify new revenue streams based on recommendations from other sub-committees.

The sub-committees set their own meeting schedules and worked to gather information on their specific topics. For example, the Community and Financial Sub-committee members met with representatives of LPEA and 4CORE to discuss the possibility of installing a solar farm on the Old Fort property.

The full committee met on an approximately biweekly basis to share information, discuss potential solutions to the revenue and management issues, and plan events requiring full committee participation. In particular, the Community Sub-committee organized a public meeting at the Breen Community Center on January 20, 2011 so that interested community members could meet with and express their concerns to Fort Lewis College President Dene Thomas and State Land Board Acting Director Tobin Follenweider. The full committee planned the meeting agenda and participated in the event. The public meeting announcement and meeting notes are included in the Appendix.

Throughout our several conversations with the State Land Board, Acting Director Tobin Follenweider has reiterated the Board's willingness to permit Fort Lewis College to continue to use the property for academic purposes with few constraints. It is worth noting that, as owner of the Old Fort property, the State Land Board has the right to approve any activities undertaken by Fort Lewis College on the Old Fort property.

During the course of the Old Fort Feasibility Committee's workings, we have researched and discussed many worthy ideas and potential revenue-generating projects that align well with the educational mission and environmental stewardship values of Fort Lewis College. We have also listened to the ideas and concerns of community and Fort Lewis College faculty, students and staff members who are passionate about the historical legacy and the potential value of the Old Fort Property, while, at the same time, recognizing the limited resources available to Fort Lewis College to contribute toward the realization of that potential. In fact, this mix of emotional and financial reactions to the options available for the Old Fort Property is evident among the Old Fort Feasibility Committee membership. This report and set of recommendations is the Old Fort Feasibility Committee's attempt to reconcile this apparent dichotomy.

## **Old Fort Feasibility Committee Academic Sub-committee**

**Submitted by**

**Paul Booth (Art), Beth LaShell (Agriculture),  
Christine Myers (Student), Rick Wheelock (NAIS)**

The highly interdisciplinary nature of a Liberal Arts education obtained through study at Fort Lewis College is well adapted to the challenge of meeting the complex problems of an area situated at the confluence of multiple political and natural boundaries. The list of programs which the academic sub-committee has been compiling for the Old Fort not only uphold our honorable mission to prepare citizens for the common good in an increasingly complex world while satisfying the requirement to maintain the land as an institution of learning but will also foster the building of community partnerships. These relationships carry with them intangible values such as the building of character, the application of knowledge through experiential learning, and critical thinking or problem-solving skills which go practically unmatched in any other learning environment, making this opportunity priceless.

The original Old Fort Task Force's vision for the property was to develop an interdisciplinary field station for education, research and community partnerships in sustainable agriculture, cultural, natural and physical resources. This vision is predicated upon consideration of a unique set of resources including a 6,279 acre intact land mass, ecosystems representing a large portion of the Four Corners region, wildlife, native plant and riparian corridors. These natural resources can be used for community based learning opportunities that emphasize responsible stewardship. Equally important are the historical and cultural resources, including extensive prehistoric and historic archaeological resources throughout the property, and long-standing interests in the site among both Native and non-Native peoples. These attributes give Fort Lewis College the opportunity to market educational opportunities that incorporate problem solving with sustainable opportunities.

### **CURRENT AND PROPOSED USES**

The academic subcommittee gathered usage data from both current and potential credit-bearing courses at Fort Lewis College (See Appendix 1). Current users include 14 faculty members in 8 different academic departments serving over 490 students per year. The longest tenure of use has been the Agriculture Department beginning with Dr. John Greathouse signing an agreement with Colorado State University in 1987 to utilize the facilities for academic programs. Biologist, Dr. Joseph Ortega began using the land for his courses in 1991 and has also utilized students to assist him with his avian reproductive ecology research. The observatory, built at the Old Fort in 2005, allows Physic Senior Thesis students to conduct experiments on Measuring Atmospheric Extinction, Measuring Variable Stars and Supernovae Luminosity.

Recent interest from Geosciences, Engineering, Sociology, Native American and Indigenous Studies, and Exercise Science show the broad appeal of such a unique resource for Fort Lewis College. Given the abrupt departure of CSU, the staff and faculty at FLC should be given time

to develop curriculum carefully to fulfill emerging academic components. This sub-committee recommends that academic departments and programs review their course offerings and funding sources to discover new opportunities for use of the Old Fort site in new curriculum. Grant writing might support new courses or certificates that make use of the Old Fort site.

When surveyed, faculty members identified some important limitations and challenges presented by the Old Fort's distance from the campus. Land access, classroom space, storage space and restrooms were the primary facilities needed for their programs. Lab and field-based classes utilize a course-based fee to help pay for transportation to the Old Fort while other departments encourage the students to share rides. To meet the increasing demand of academic and social program usage, this sub-committee recommends the college explore a cost efficient method of providing transportation to the Old Fort.

Student services and student clubs currently using the property include the Native American Pejuta Society, Westerner's Club, Buffalo Council and the Environmental Center.

It is our recommendation that the proposed MOU with the State Land Board insist that any lease or other arrangements allows for access to the site for evolving academic purposes.

## **FUNDING**

The academic component of the Old Fort campus cannot easily be configured to raise revenues. At best, it seems that efforts to make it cost neutral must be the goal, at least in the short term. It's the education itself that holds value for experiential learning, to Fort Lewis College students, community members and other institutions for preparing citizens for the common good in an increasingly complex world. This academic value directly correlates with the mission of Fort Lewis College, and is difficult to measure such a goal purely in terms of economic cost.

A few of the ideas the academic sub-committee has arrived at as possible funding options at the academic level are:

- A mandatory student fee
- Course specific fees
- User fee or in-kind donations from other institutions of learning
- Tribal partnerships for capacity building/economic development initiatives

## **OTHER EDUCATIONAL PARTNERSHIPS AND RESOURCES**

A solely pecuniary approach to measuring the academic component of the Old Fort would not reveal its greater worth. Acting in partnership with our neighbors in the regional community, Fort Lewis College students and faculty along with the students and faculty of other local institutions can integrate "the production of new knowledge and the uses made of that knowledge" through finding ways to directly apply study and research to problems existing within our region (Harkavy & Puckett, September, 1994, p. 317).

The establishment of Fort Lewis College academic programs at the Old Fort site can attract opportunities for additional educational partnerships. The committee has compiled a list of potential partners that could be interested in utilizing educational resources found at the Old Fort. These potential partners (listed below) could utilize existing natural and cultural resources as well as assist with the development of additional revenue generating enterprises. The College should invest some funding/resources for summer workshops designed to bring faculty members of departments with interests in the Old Fort Lewis site together. There, effective planning to bring together department initiatives with possible local and regional partners and with grant authorities might best be pursued in an atmosphere conducive to creative academic uses of the site.

Southwest Conservation Corp  
New Mexico State University  
San Juan College  
4-H STEM program  
San Juan Basin Extension (LaPlata, Montezuma, Archuleta, Dolores, San Miguel and San Juan, NM)  
Mountain Studies Institute  
K-12  
Four Rivers Institute  
Southern Ute, Mountain Ute and Jicarilla Nations

## **Old Fort Feasibility Committee**

### **Deferred Maintenance Sub-committee Report**

The Deferred Maintenance sub-committee was charged with reviewing the condition of the buildings and infrastructure on the Old Fort campus and identifying the repairs and capital renewal that would be required if the facilities were to be used by the College. This task will not be able to be completed until the facilities to be used by the College have been identified, along with the proposed use. At that time a more detailed analysis of the condition of the facility for the proposed use can be made. However, it is possible to make some observations and recommendations based on our investigation so far.

#### **FINDINGS**

##### **Building Condition - R. M. Bell Report**

A facilities condition audit of twenty of the older building at the Old Fort was performed by R. M. Bell & Associates in 2008. This audit evaluated the facilities in seven categories giving them a rating from good to poor. The seven categories were: foundation; structure; exterior wall; roof; interior finishes; mechanical systems; and electrical systems. These ratings were used to determine an overall rating or average score for each facility. The average score was then used to calculate an approximate Facilities Condition Index. The Facilities Condition Index (FCI) is normally calculated by dividing the deferred maintenance needs by the current replacement value (CRV). Since the estimated cost of necessary repairs has not yet been determined, the approximate FCI was estimated from the average score. The methodology described resulted in approximate FCI ranges from 0.31 to 0.89. Five facilities had a FCI of less than 0.35 and six had a FCI of greater than 0.55. A FCI of 0.30 would be fair condition and a FCI of 0.89 would be very poor condition. Generally, if the FCI is over 0.50, (meaning the needed repairs would cost half of the cost of a new facility) consideration should be given to replacing the facility rather than repairing it.

The cost for the necessary repairs to bring the buildings to a good condition has not been determined, however, it is obvious that the costs could easily exceed the \$500,000 to \$1,000,000 range depending on which facilities would be used and what the intended use would be.

A summary of the report and FCI calculations is included in the Appendix.

## **Utility Infrastructure – Goff Engineering review**

Goff Engineering was hired to gather information on the utility systems, to conduct an assessment of their condition and determine their compliance with relevant codes and regulations.

Information was gathered on the utility systems including drawings at the Center for Southwest Studies, Physical Plant files including files passed down from Colorado State University and drawings obtained from a local engineering firm that had previously worked on Old Fort infrastructure projects. A former farm manager was also interviewed to obtain additional information on the condition and operation of the infrastructure systems. Field observations were made to confirm the relative accuracy of the information and up-to-date maps of the campus utilities were generated. A copy of this map is included in the Appendix.

The assessment of the utility systems concluded that both the potable water distribution system and the waste water collection systems have been replaced since the 1970s. The materials and methods used for construction were appropriate and the systems should have many years of remaining useful life. The treatment side of both systems is a different story, however.

### **Potable Water Treatment System:**

Most alarming is the collection and intake system of the potable water system. It consists of a shallow perforated pipe in the bottom of a ravine that collects spring water. This water is discharged into a “clear well” and is then pumped into the distribution system without filtration or disinfection. The condition is very unsanitary and presents an opportunity to introduce pathogens and contamination from wildlife, livestock and general farm operations into the potable water system. The suitability of the water for domestic uses cannot be even reasonably guaranteed under this arrangement.

The current number of water taps and year-round users are low enough that the water system does not meet the threshold to be classified as a “public water system” subject to State Department of Public Health regulations. Given the fact that this system is on State land and serves or has the potential to serve the public, it should be operated as if it did fall under these regulations to ensure the safety of the users. Under these regulations the system would be classified as ground water under the influence of surface water and a minimum requirement would be adequate filtration, disinfection and testing to ensure the fitness of the drinking water. The operation of the system should also be under the supervision of a certified water works operator.

An alternative could be to abandon the current systems and drill a domestic well to provide potable water to the campus distribution system. This could require approval of an augmentation plan before a well permit was issued.

## **Waste Water Treatment System:**

Sewage from the residences and occupied buildings is collected and directly discharged into a non-functioning evaporation lagoon. The lagoon is oversized for the low flow currently being discharged and the clay liner has cracked and failed, allowing the waste water to percolate into the ground.

The current waste water flow rate places the systems under the jurisdiction of San Juan Basin Health, and not the State. Open evaporation lagoons are not allowed for new residential systems, but a lagoon in this application might be allowed given the different uses at the Old Fort provided it was returned to proper operation. The size of the lagoon would have to be reduced to better match the current flow and a fabric liner would have to be installed to prevent leakage. In-line septic tanks should be installed to collect solids and extend the life of the lagoon. If this system was not allowed, an engineered system would be required.

Since a detailed design of the system improvements was not a part of the scope of this study, the exact cost of the upgrades is not known, but general estimates can be made. The cost of the potable water system improvements is in the \$30,000 range and the cost of the waste water treatment improvements is estimated to be in the \$30,000-\$35,000 range. When engineering fees, permits and inspection fees are added the combined costs could range from \$60,000 to \$80,000.

## **GENERAL RECOMMENDATIONS**

The MOU with the State Land Board should address responsibility for bringing the facilities into suitable condition (especially the water and sewer systems) and define responsibilities for on-going maintenance and upkeep of the facilities.

A management structure will need to be established to oversee the operation and maintenance of the facilities, including compliance with any regulatory requirements such as operation of the water system and sewer system.

The condition of any of the facilities to be used by the College will have to be reviewed to determine the suitability for the intended use. Funding sources will have to be identified to correct any deficiencies.

On-going funding for building maintenance and renewal will need to be identified.

If maintenance services are to be provided from the Fort Lewis College campus by Physical Plant Services, the impact on staffing and travel expenses will have to be considered and Physical Plant's budget adjusted accordingly.

**Recommendations for the Water System:**

The potable water system deferred maintenance needs should be immediately addressed. This includes the installation of proper filtration, installation of a disinfection system, replacement of the level control and pump control system, replacement of the existing aged expansion tanks, and cleaning out the collection pipe and clear well.

The entire distribution system should be disinfected, flushed and the water quality tested.

The operation of the system should be under the direction of a certified water works operator.

An alternative option should be considered to abandon the present surface water collection system and drill a domestic well to serve the campus. This may require approval of a water augmentation plan.

**Recommendations for the Sewage Treatment System:**

The present evaporation lagoon is not functioning properly and should be reduced to a size more appropriate for the present and anticipated flow.

A fabric liner should be installed in the lagoon to eliminate leakage into the ground.

Settling septic tanks should be installed in-line ahead of the lagoon to facilitate solids removal and extend the life of the lagoon.

# **Old Fort Feasibility Committee**

## **Community and Financial Sub-committees Report**

Given the concerns of the community regarding distribution and management of leases on the property and the desire for the College's continued use of the property for educational purposes, Fort Lewis College would like to have a more direct pathway for input on these issues. This will require a new type of partnership with the State Land Board and its representatives that is depicted in the attached figure, "Proposed Old Fort Management Structure", and described below.

### **MANAGEMENT STRUCTURE**

The Old Fort Feasibility Committee strongly recommends the establishment of an Old Fort Steering Committee to be composed of one FLC faculty member, one FLC student representative (appointed by student government), and two members representing regional or community perspectives, all of whom will be appointed by the FLC President. The FLC Vice President of Finance and Administration will serve as an ex-officio member. The State Land Board will appoint appropriate voting members as it deems necessary. The Old Fort Steering Committee may, at its discretion, solicit additional expert consultants to provide pertinent knowledge/resources pertaining to special projects, such as alternative energy development, forestry, sustainable agriculture, carbon banking, etc. The expert consultants will serve as non-voting members of the Old Fort Steering Committee.

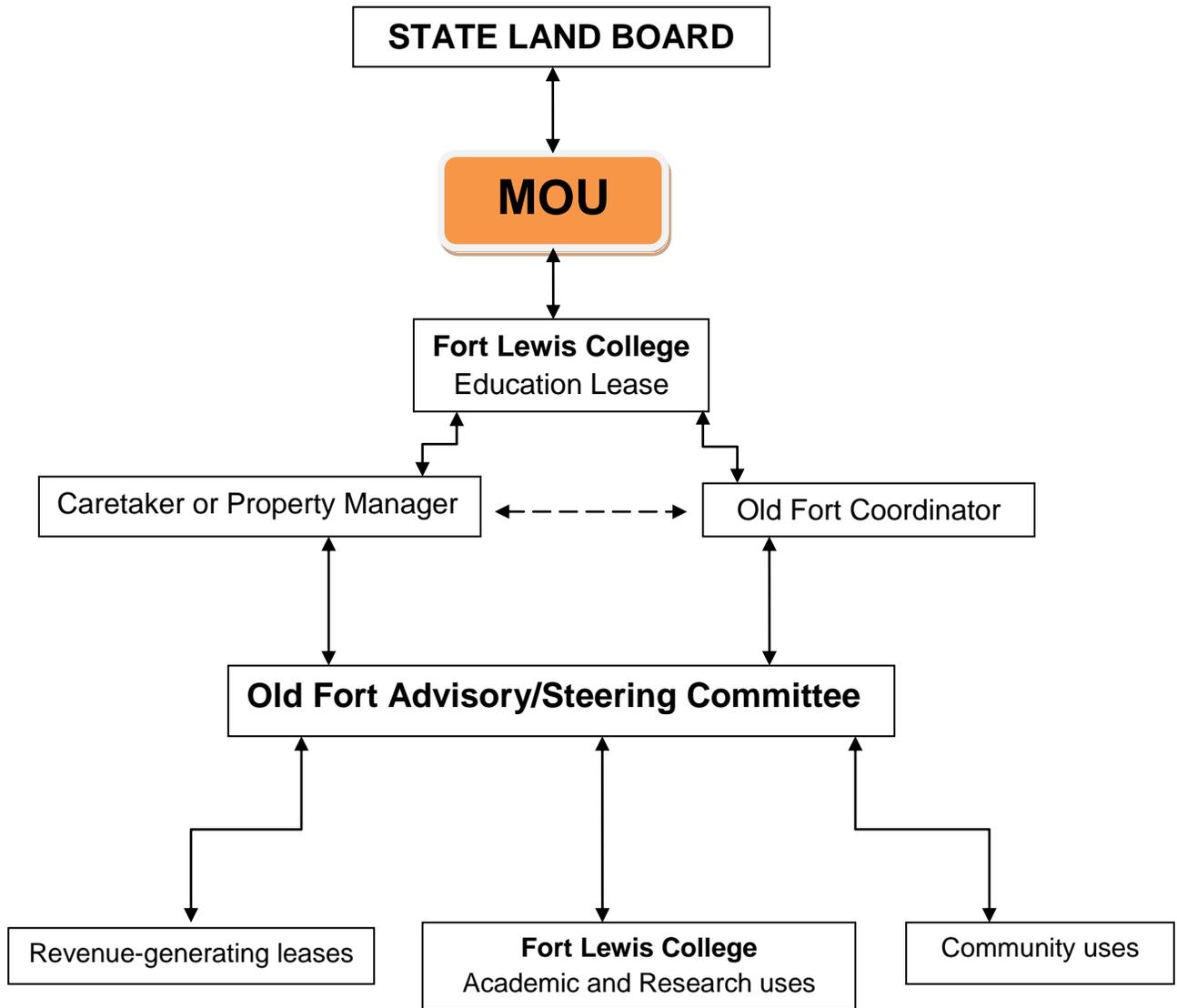
The Old Fort Steering Committee will develop priorities for the types of uses that may occur on the Old Fort property outside of State Land Board leases. Such uses should be broadly defined to provide maximum flexibility and opportunity for potential uses of the property, and should reflect stewardship of the property while encouraging revenue-neutral or revenue generating partnerships and collaborations with public, private, Tribal and governmental groups and organizations in ways that support educational purposes. To whatever extent possible, uses that emphasize sustainable use of natural resources, local food production, general environmental quality, and that acknowledge the history of the property should be encouraged. These priorities should be incorporated into and reflected in as many courses as possible across all academic disciplines offered at Fort Lewis College to fully realize the potential of the property. The Old Fort Steering Committee will review all proposed uses by the State Land Board, FLC and community groups prior to committing to any new uses.

Old Fort Feasibility Committee identified a need for an Old Fort Coordinator who would be tasked with continuing and expanding academically related uses of the property, as well as establishing and encouraging partnerships with interested users. This person will be the Fort Lewis College liaison with the State Land Board, will work under the advisement of the Old Fort Steering Committee, and will serve as a voting member of the Old Fort Steering Committee. Additionally, the Coordinator would provide input into tasks to be completed by the caretaker of the property (see below) as they relate to uses of the property outside of the State Land Board leases. We expect that funding for the salary of the Old Fort Coordinator would be provided by revenues generated by FLC operational activities on the Old Fort property.

The Old Fort Feasibility Committee recommends retention of a caretaker or property manager working with the Old Fort Coordinator and the State Land Board to provide for basic operation of the property, including irrigation, cattle feeding, security, fence maintenance and other maintenance tasks required for jointly agreed upon uses. Various mechanisms for funding the salary of a caretaker or property manager are discussed in the Revenue section below, and include utilizing lease revenues, including an on-site property manager within an agriculture lease agreement, or hiring a third-party property manager who would be paid a percentage of lease revenues.

A Memorandum of Understanding (MOU), negotiated by attorneys for the State Land Board and FLC is required to establish the proposed management structure. The Old Fort Feasibility requests that the MOU define any direct user relationships with the State Land Board, such as the Elk Research Institute and grazing leases, clarify water rights ownership, and establish who is responsible for insurance, maintenance, and regulatory compliance at various levels. Once decisions regarding lease holders have been made, leases will be written and managed by the State Land Board. Additionally, a general outline describing the mission and vision for the property, the frequency of meetings of the Old Fort Steering Committee, and procedural bylaws involving Fort Lewis College and the State Land Board should be included.

# Proposed Old Fort Management Structure



## REVENUE AND EXPENSES

Using income and expenses entries in the FLC Banner Financial system, we determined the actual financial picture of the Old Fort Operations (Hesperus Agricultural Account) for the first three quarters of the current academic year (AY10/11). These data are included on the attached financial statement, "Fort Lewis College, Organization Summary Activity, From 01-JUL-2010 To 8-MAR-2011 Actual". Agriculture income from animal sales, hay sales, and farm stand and restaurant sales is \$33,312. Other income from rents, donations, etc is \$12,093, for a total income of \$45,405. Expenses include the caretaker's salary and benefits, utilities, supplies and materials, and other fees and leases as listed on the attached financial statement. Total current expenses are \$84,871. Therefore, the current **deficit** for the first three quarters of this fiscal year is \$39,467.

In June 2010, the FLC budget, approved by the FLC Board of Trustees, included a one-time transfer of funds from the FLC Reserve Account into the Hesperus Agriculture Account in the amount of \$82,258. This transfer is shown below the Net Income line in the current actual budget document ("Fort Lewis College, Organization Summary Activity, From 01-JUL-2010 To 8-MAR-2011 Actual"), and was intended to pay for the caretaker salary and benefits, the Colorado State University leased equipment, and other operating expenses that were difficult to predict at that time. Due to this one-time transfer, the current balance in the Hesperus Agriculture Account is \$42,791. We do not expect to receive funds from the FLC Reserve Account in AY11/12.

Additional support indicated below the Net Income line includes \$21,710 from the FLC General Fund to purchase the cattle herd from Colorado State University for the Agriculture Science Program's animal science courses, and two transfers from the Office of Community Services to provide salary and benefits for Beth LaShell to help coordinate community and Southwest Conservation Corps activities at the Old Fort. The Hesperus Ag Funding represents the Agriculture Science Program OCE of \$4864 from the FLC General Fund that will be available for AY11/12.

For Academic Year 11/12, we will not incur the expense of the General Property-All Risk insurance from Flood & Peterson Insurance due to changes in the College's liability insurance coverage. Projected additional income based on current inventory of cattle/beef/swine, hay operations, farm stand/restaurant sales and rental income (estimates provided by Beth LaShell) is \$15,336. These changes are incorporated into the attached financial statement, "Fort Lewis College, AY 2011-12 Budget Hesperus Agriculture Accts". Assuming similar agriculture, rental and other income from the Old Fort operations, and estimating annual expenses for a caretaker and operating expenses based on this fiscal year, we can expect a **deficit** of \$25,089 for AY11/12 if FLC continues current operations through the termination of the Agriculture Science academic program. Addition of an Old Fort Coordinator salary and benefits of \$32,570 will increase the deficit to \$57,659. Therefore, without additional income or transfer of funds into the Hesperus Agriculture Account from the FLC Reserve Budget, the AY10/11 model for operating the Old Fort operations does not provide sufficient income to cover expenses.

On March 23, 2011, members of the Old Fort Feasibility Committee (Beth LaShell, Roy Horvath, Steve Schwartz, Maureen Brandon and Doug Lyon) met via videoconference with Tobin Follenweider, Deputy Director of the State Land Board, Amy Stengle, State Land Board attorney, Heidi Baskfield, member of the FLC Board of Trustees, and Fred Kuhlwilm, FLC attorney. At this meeting, Mr. Follenweider expressed a willingness to explore mechanisms by which the State Land Board lease revenues could be used to cover expenses of the Old Fort operations, such as the caretaker salary and benefits and/or operating expenses. The options for Old Fort operations into the future, presented below, include the possibility of utilizing all State Land Board revenues to cover expenses.

Following the videoconference meeting, Mr. Follenweider provided Maureen Brandon and Steve Schwartz with an estimate of the revenues that the State Land Board expects from a grazing lease (\$12,000 to \$15,000 per year), ERI lease (\$3,500 per year) and a Division of Wildlife (DOW) hunting lease of about \$8,000 per year. Since the DOW hunting lease revenue is a rough estimate, a conservative average of \$25,000 per year is included as potential State Land Board revenue that **may** be available to defray expenses in the options described below.

### **Hesperus Trust Account**

Currently, all lease revenues generated (minus administrative fees) by the State Land Board are deposited into the Hesperus Trust Account at Fort Lewis College. Once monies are deposited into the trust, legislative approval is needed for the funds to be withdrawn. Fort Lewis College requested and received approval in 2007 to use \$61,000 for the matching requirement of a \$144, 971 grant for the Old Fort Library restoration. It is the committee's recommendation that Fort Lewis College explore options so this revenue can be used for operations and maintenance issues at the Old Fort. Initial ideas include obtaining an official attorney general's opinion on deducting expenses prior to depositing funds or utilizing a model used on other State Land Board properties where all the lease revenue is deposited with a manager or fiscal agent. The agent deducts operating expenses including a management fee and the net is deposited into the Hesperus Trust.

## **OPTIONS FOR FUTURE OPERATING STRUCTURES**

The State Land Board has set a co-termination date for all leases on the Old Fort property of June 30, 2017, in order to provide an opportunity to assess the activities at the Old Fort and make adjustments as necessary. The Old Fort Feasibility Committee supports this strategy for managing the Old Fort leases throughout the next six years, and recommends that any adjustments be made under the guidance of the Old Fort Steering Committee.

For FLC, the next six years is divided into two distinct segments. Academic year 11/12 is the final year of the Agriculture Science Program, in which the College's current operations, including the cattle and swine herds and the sustainable agriculture plots, need to be maintained for the Agriculture Science courses. The second segment is five year period of July 1, 2012 through June 30, 2017, when all leases will terminate. Below, the Old Fort Feasibility Committee recommends agreements between FLC and the State Land Board that need to be emplaced prior to July 1, 2011, and describes options for management structures for AY11/12, and additional management options that can be considered for the remaining period of July 1, 2012 through June 30, 2017. Financial statements that estimate revenues and expenses for each option, based on actual current income and expenses, are attached.

### **MAY AND JUNE 2011**

- During the period May and June 2011, FLC and the State Land Board will develop a Memorandum of Understanding (MOU) that establishes ownerships, responsibilities, supervisory structures, financial structures, and the need for caretaker and coordinator positions.
- FLC and the State Land Board will establish the Old Fort Steering Committee with membership consisting of FLC representatives, State Land Board representatives, and community representatives with appropriate decision-making power and authority.
- FLC will request that the State Land Board establish an Education Lease with FLC at no charge that describes approved uses, and potential educational sub-leases (see below).
- The FLC Purchasing Department will bid a hay cutting contract for summer 2011.
- Finally, FLC and the State Land Board must determine a source(s) of funds to repair immediately the water and sewer systems.

**JULY 1, 2011 THROUGH JUNE 30, 2012**

**THE FINAL YEAR OF THE AGRICULTURE SCIENCE PROGRAM**

The Old Fort Steering Committee will begin to review and approve uses at the Old Fort property.

Suggested revenue-generating leases for the State Land Board (in addition to current leases) include:

Cattle and/or other animal operations

Sustainable agriculture projects

Hunting (DOW or private)

Long-term grazing leases

Southwest Conservation Corps

Mesa Verde Helitak

LaPlata Electric Association solar farm or garden

House rentals (depending on infrastructure repairs)

Suggested educational sub-leases and uses for FLC include:

New Mexico State University

San Juan College

Southwest Colorado Community College

4-H programs

San Juan Basin extension programs

Mountain Studies Institute

Colorado Public K-12 Schools

Four Rivers Institute

Local Native American tribal initiatives.

## **FINANCIAL IMPACTS FOR OPERATING STRUCTURES FOR AY 11/12**

### **OPTION A: CONTINUE CURRENT OPERATIONS FOR ONE YEAR ONLY**

Fort Lewis College would have an Education Lease with the State Land Board. The FLC income sources continue to include cattle, pigs, farm stand and restaurant sales, hay sales, rental and other income for an approximate total income of \$60,480. The estimated annualized FLC expenditures (based on actual operating expenses in the period 7/1/10 – 3/4/11), and including a full time caretaker salary plus benefits are \$100,905. No coordinator salary is included in this Option. It may be possible for the Coordinator duties to be covered by the Caretaker.

The State Land Board enters into and manages grazing, DOW hunting, and ERI leases and, if legally possible, transfers approximately \$25,000 of net revenues to FLC to help with expenses.

Assuming projected agriculture and rental incomes similar to that projected for AY10/11, and assuming that the State Land Board is able to transfer revenues to FLC, the projected **deficit** of Option 1 is \$89 to be covered by FLC. Addition of a Coordinator salary and benefits to Option A increases the **deficit** to \$32,659.

Repairs to the water and sewer system will be required to continue rental incomes. Beth LaShell is working with Kit Page, the State Land Board Regional Manager, to request State Land Board funds to help defray the costs of these repairs. The rough estimate to repair these systems based on the Goff Engineering assessment is \$60,000 - \$80,000 (see Deferred Maintenance Report above).

The advantages of Option A include a full time caretaker to care for animals, irrigate, carry out regular maintenance and provide security. Based on current operating expenses, Option A is relatively cost neutral barring unforeseen expenses or reduced revenue. The disadvantage includes no clear contact person, such as a Coordinator, to manage the academic and community activities on the Old Fort property.

**OPTION B: ELIMINATES THE FULL TIME CARETAKER POSITION, AND INCORPORATES A ONE-HALF TIME OLD FORT COORDINATOR POSITION**

Like Option A, FLC has an Education Lease with the State Land Board and estimated income sources and expenses are projected to be the same as Option A. The Caretaker salary is replaced by an Old Fort Coordinator salary plus benefits of approximately \$32,570. Total operating expenses are projected to be \$81,652. The State Land Board will manage grazing, DOW hunting, and ERI leases and, if legally possible, transfers approximately \$25,000 of net revenue to FLC to help with expenses.

For this Option, FLC would request that the State Land Board enter into an in-kind agreement with an individual to live rent-free in one of the houses in exchange for night and weekend security. Other Caretaker duties would have to be contracted for an as yet to be determined amount or taken on by the Coordinator.

Assuming income and expenses similar to the projected AY11/12 outcomes, and assuming income assistance from the State Land Board, the projected **net income** from Option B is \$19,164. Repairs to the water and sewer systems will still be required prior to enacting Option B.

The advantages of Option B include a clear contact person to coordinate academic and community groups on the property, and a modest income from operations. The disadvantages include the unknown expenses associated with contracting for services that would have been done by a caretaker, such as snow plowing and irrigation. These expenses will likely reduce the projected income.

### **OPTION C: INCORPORATES A ONE-HALF TIME OLD FORT COORDINATOR POSITION AND A ONE-HALF TIME CARETAKER POSITION**

Like Option A, FLC has an Education Lease with the State Land Board and estimated income sources and expenses are projected to be the same as Option A (\$80,680). The one-half time Caretaker and Coordinator salaries plus benefits total approximately \$58,482. Total operating expenses are projected to be \$107,564. The State Land Board will manage grazing, DOW hunting, and ERI leases and, if legally possible, transfers approximately \$25,000 of net revenue to FLC to help with expenses.

Assuming projected agriculture and rental incomes similar to that projected for AY11/12, and assuming that the State Land Board is able to transfer revenues to FLC, the projected **deficit** of Option C is \$6,748. If additional revenue becomes available, the Old Fort Feasibility Committee suggests that the additional income be used to increase the appointment of the caretaker.

The advantages of Option C include personnel who can care for the property and serve as a contact person for the academic and community groups. The disadvantage includes a modest deficit to be covered by FLC.

### **COMMITTEE VOTE**

The Old Fort Feasibility Committee members vote 11 for Option C, 1 for Option A, 1 for Option D, and 1 abstention.

### **SUMMARY OF OPTIONS A-C**

With any of these options (A – C) for AY11/12, changes in revenue stream or expenses could occur. The Old Fort Steering Committee, or another body designated by the FLC President and the State Land Board should have the authority to make necessary adjustments.

## **July 1, 2012 through June 30, 2017 Co-termination of all Old Fort Leases**

The Old Fort Steering Committee will continue to review and approve activities and leases at the Old Fort Property throughout this period. FLC retains an Education Lease and continues academic activities such as field schools and the observatory, and other Old Fort Steering Committee approved educational activities.

When the Agriculture Science Program ends in spring 2012, FLC will sell its cattle and swine herds so as not to compete with commercial ranchers. The State Land Board expects to incorporate those operations into an agriculture lease consisting of grazing, cattle and hay. In addition, the State Land Board predicts that the agriculture lessee will place a manager on-site, thus covering the costs and duties of a Caretaker. In the absence of a reasonable estimate of income from an agriculture lease and other new income sources, the projected income and expenses are the same as those projected for AY11/12 (See attached financial statement "Fort Lewis College, AY 2011-12 Budget Hesperus Agriculture Accts").

### **MANAGEMENT**

Three possible options are available for managing the Old Fort Property.

#### **Option D: The State Land Board manages all leases**

The State Land Board enters into an agriculture lease that includes grazing, hay, cattle operations, and includes an **on-site property manager**. With this Option the State Land Board or the agriculture lessee would have to pay FLC to lease the water rights. Currently, the income from this lease is unknown. Other revenue-generating leases will be determined by the Old Fort Steering Committee. FLC expects to retain an Old Fort Coordinator, assuming sufficient income from the water rights lease and/or other operations activities.

Option D has the potential to generate \$19,164 in **net income** to be deposited in the Hesperus Trust or utilized for infrastructure repairs if legally possible. Income from the sale of FLC animal herds could be used for infrastructure repairs or deposited into a reserve fund, as determined by FLC.

The advantages of Option D to FLC are that the State Land Board will manage all lease agreements and accounting, and cover all possible liabilities and potential deficits. Additionally and importantly, FLC will function according to our educational mission. The disadvantage to

FLC is the uncertainty regarding the use of the net revenues for infrastructure improvements or deposits into a reserve account.

#### **OPTION E: FLC HOLDS THE MASTER LEASE FOR OLD FORT PROPERTY FROM THE STATE LAND BOARD**

FLC would manage all leases including an agriculture lease that includes grazing, hay, cattle operations and an **on-site property manager**. FLC would retain an Old Fort Coordinator whose salary is covered by lease revenues. Other revenue-generating leases will be determined by the Old Fort Steering Committee. As in Option D, all projected revenues and expenses are held to the AY11/12 values as the best approximation of net income possible at this time. The potential **net income** from Option E is \$19,164.

The advantage of Option E to FLC is that all net income is available to FLC to utilize toward Old Fort property operations. The disadvantages include negotiating and managing lease agreements, utilizing the FLC Budget Office and Comptroller's Office services, and covering any deficits due to emergency repairs, reduced income or other unforeseen events. Additionally, with Option E, no revenues will be deposited into the Hesperus Trust.

#### **OPTION F: TERMINATION OF ALL ACADEMIC AND AGRICULTURE OPERATIONS AT THE OLD FORT PROPERTY (NO FINANCIAL STATEMENT ATTACHED)**

The State Land Board will manage all leases and deposit net revenues into the Hesperus Trust. FLC would have no financial obligation to and no academic activities at the Old Fort property.

At the present time, and based on current income and expenses, Options D and E, in which one entity manages all revenue-generating leases, have the potential to generate a modest net income. By the end of the lease co-termination date of June 30, 2017, it is possible that additional revenues could be generated. However, based on the critical needs for infrastructure repairs and an emergency/reserve account, no revenues would be deposited into the Hesperus Trust in the foreseeable future.

## **RECOMMENDATIONS**

The Old Fort Feasibility Committee recommends that President Thomas, working in conjunction with State Land Board Deputy Director Tobin Follenweider, pursue the following actions:

1. Develop a Memorandum of Understanding (MOU) that establishes ownerships, responsibilities, supervisory structures, financial structures, and the need for caretaker and coordinator positions.
2. Establish the Old Fort Steering Committee with membership consisting of FLC representatives, State Land Board representatives, and community representatives with appropriate decision-making power and authority.
3. Identify a source or sources of funding to repair the potable water and sewer systems. The need for these system repairs is immediate.
4. Adopt Option **C** as the management structure for the Old Fort property for Academic Year 11/12.

## **APPENDICES**

### I. Academic Sub-committee

- Old Fort Academic Dept Usage

### II. Deferred Maintenance Sub-committee

- Old Fort Building Inventory 2-10-11
- Old Fort OVERALL utilities photo

### III. Community Sub-committee

- Old Fort Letter to Community1-11
- Community meeting agenda1-20-11
- Old Fort Community Meeting notes1-20-11