

STATE OF COLORADO

Colorado Water Conservation Board

Department of Natural Resources

1313 Sherman Street, Room 721

Denver, Colorado 80203

Phone: (303) 866-3441

Fax: (303) 866-4474

www.cwcb.state.co.us



TO: Colorado Water Conservation Board Members

FROM: Anna Mauss, P.E.
Water Supply Planning & Finance Section

DATE: November 10, 2009

SUBJECT: **Agenda Item 26a, November 16-18 2009 Board Meeting**
Water Supply Planning and Finance Section – New Project Loans
WRCC, Inc. – Cobb Lake Inlet Structure Project

Bill Ritter, Jr.
Governor

Harris D. Sherman
DNR Executive Director

Jennifer L. Gimbel
CWCB Director

Dan McAuliffe
CWCB Deputy Director

Introduction

WRCC, Inc. (Company) has requested a loan \$1,289,000 for 90% of the cost of its Cobb Lake Inlet Structure Project (Project). The existing inlet structure and ditch have deteriorated to the point that they are dangerous and subject to failure. The cost for the reconstruction of the inlet ditch and structures is estimated to be \$1,433,000. See attached Project Data Sheet for a location map and a project summary.

Staff Recommendation

Staff recommends the Board approve a loan from the Construction Fund not to exceed \$1,301,890 (\$1,289,000 for project costs and \$12,890 for the 1% Loan Service Fee) to WRCC, Inc. for engineering and construction costs related to the Cobb Lake Inlet Structure Project. The loan terms shall be 30 years at a blended rate of 2.85% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Background

The Company owns six storage reservoirs and over 25 miles of supply ditches across Larimer and Weld Counties in Colorado. The reservoirs are: Big Windsor Reservoir, Douglas Reservoir, Reservoir #8, Annex Reservoir, Elder Reservoir and Cobb Lake. These facilities are used to store and supply irrigation water primarily to agricultural users. The Company provides irrigation water to 55,000 acres of irrigated crops.

Cobb Lake (Reservoir) is the focus of this loan request. It is a 22,300 acre-feet (AF) storage reservoir located northeast of Fort Collins in Larimer County. The Reservoir is supplied by the Poudre Valley Canal that diverts water directly from the Cache la Poudre River. The existing inlet ditch is approximately 2,200 feet long and has cast-in-place concrete structures that were constructed in the early 1900s.

The inlet structures and ditch are located approximately 60 feet above the normal Reservoir water surface level. The ditch has been badly eroded over time and vertical degradation has resulted in very steep ditch side slopes that are a safety concern. The inlet structures have been patched over the years; however, they are to the point where they could be subject to sudden catastrophic failure. If the inlet failed, the Reservoir could not be filled.

Loan Feasibility Study

Mayo Sommermeyer of The Dow Law Firm, LLC, prepared the Loan Feasibility Study titled “Feasibility of Cobb Lake Inlet Structure Project, September 21, 2009.” The study was prepared in accordance with the CWCB guidelines. John Andrew, Ph.D., P.E., contributed the engineering and technical support portion of the Feasibility Study.

WRCC, Inc.

The Company is registered as a Colorado non-profit mutual ditch company located in Eaton, Colorado. It was established in 2002 as the result of a corporate reorganization. There are 1,000 shares of stock and 256 shareholders. The Company is managed by a five-member Board of Directors. The Board has the power to levy annual assessments, cease delivery of water to shareholders whose assessments are not paid in full, sell stock of delinquent shareholders, and enter into loan agreements.

The Company’s predecessor, Windsor Reservoir and Canal Company, was incorporated in 1890. In 2006, the Windsor Reservoir and Canal Company sold its stock in the Tunnel Water Company. As a result of this transaction, WRCC, Inc. was created with the remaining assets of the original Windsor Reservoir and Canal Company less the Tunnel Water Company stock.

Water Rights

The Company has water rights decreed for irrigation use in Big Windsor Reservoir, Cobb Lake, Douglas Reservoir, Elder Reservoir, Reservoir #8, and Annex Reservoir. Annually the Company diverts approximately 35,000 AF through the system. Table 1 lists only the Project relevant, Cobb Lake, storage rights owned by the Company.

TABLE 1
WATER RIGHTS

| Reservoir | Appropriation Date | Decreed Storage (AF) | Decreed Use | Water Source |
|------------------|---------------------------|-----------------------------|--------------------|---------------------|
| Cobb Lake | July 15,1919 | 9,113 | Irrigation | Cache La Poudre |
| Cobb Lake | Dec. 31, 1938 | 16,574 | Irrigation | Cache La Poudre |
| Cobb Lake | Dec. 31, 1938 | 20,432 | Irrigation | Cache La Poudre |

Project Description

Four alternatives to stabilize the inlet ditch were considered.

Alternative No. 1 - Existing condition stabilization: This alternative would stabilize the existing inlet ditch by cutting back the ditch side slopes and a fence would be added. The estimated cost of this alternative is \$1,130,000.

Selected Alternative No. 2 – Reconstruction along existing alignment: This alternative would include demolishing and re-constructing the existing inlet and drop structures, removing the rubble in the inlet ditch, cutting back the side slopes to be less steep, filling in areas in the existing channel bottom, constructing a new cast-in-place concrete inlet chute and stilling basin, and the acquisition of land to widen the existing easement. The estimated cost of this alternative is \$1,433,000.

Alternative No. 3 – Reconstruction along new alignment: This alternative is similar to Alternative No. 2 except along a new alignment. It would require a new inlet structure off the ditch rather than reconstructing the existing structures. It would not require as much fill or removal of debris, but would require the acquisition of a new easement and/or the purchase of additional land. The estimated cost of this alternative is \$1,695,000.

Alternative No. 4 – New conduit along new alignment: This alternative would consist of a new inlet structure and conduit along an alignment to the north of the existing alignment. This alternative would also require the acquisition of a new easement and/or land purchase. The estimated cost of this alternative is \$4,540,000.

Alternative No. 2, reconstruction along the existing alignment, was selected because it addresses the Company's safety concerns regarding the degradation of the ditch in a cost effective manner, with less maintenance than Alternative No. 1.

Construction of the Project is expected to begin in early 2010 with completion by May 2010. Table 2 shows the estimated Project costs.

TABLE 2
TOTAL PROJECT COST SUMMARY

| Task | Cost |
|------------------------------------|---------------------|
| Engineering | \$90,000 |
| Construction | \$ 1,131,000 |
| Land Acquisition | \$ 17,000 |
| Construction Administration | \$25,000 |
| Contingency (12%) | \$ 170,000 |
| Total Estimated Costs | \$1,433,000 |

Financial Analysis

Table 3 shows a summary of the financial aspects of the loan request. The Company has 938.5 agricultural shareholders and 61.5 non-agricultural/middle income municipal shareholders; therefore, a blended interest rate of 2.85% for a 30-year loan applies.

TABLE 3
FINANCIAL SUMMARY

| PROJECT/LOAN | |
|---|-------------|
| Total Project Cost | \$1,433,000 |
| CWCB Loan (90% of the Project cost) | \$1,289,000 |
| CWCB Loan (Including 1% Service Fee) | \$1,301,890 |
| CWCB Annual Loan Payment | \$65,140 |
| CWCB Loan Obligation (including 10% debt reserve funding) | \$71,654 |
| Number of Shares | 1,000 |
| Annual Cost Per Share for this Project (1 st 10 years) | \$72 |
| Annual Cost of Per Share for Previously Approved Loan (Windsor Dam Project) | \$68 |
| Current Assessments per share | \$375 |
| Future Assessments per share | \$515 |

Creditworthiness: The Company has a \$1,285,730 loan (\$61,839 due annually) with the CWCB for the Windsor Dam and Spillway Maintenance Project. The loan was approved in September 2008 and construction of the project was completed in November 2008. Repayment of the loan will begin December 1, 2010. The loan was secured by a pledge of assessment revenues.

The original Windsor Reservoir and Canal Company did have four CWCB loans between 1992 and 2006 for rehabilitation of several structures along the Poudre Valley Canal. These loans, totaling \$2,557,000, were paid in full in 2006 with the proceeds from the Tunnel Water Company stock sale.

TABLE 4
FINANCIAL SUMMARY

| Financial Ratio | Past 2 Years | Future w/ Project |
|---|-------------------------------|---|
| Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120% | 93% (Weak) \$903K/966K | 100% (Average) \$1.1M/1.1M |
| Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120% | (N/A)* | 100% (Average) (\$1,106K-966K)/ 149K |
| Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100% | 518% (Strong) \$5M/966K | 455% (Strong) \$5M/1.1M |
| Annual Operating Cost per Acre-Foot (based on 35,000 AF) weak: >\$20 - average: \$10 - \$20 - strong: <\$10 | \$28 (Weak) \$966K/35K | \$31 (Weak) \$1.1M/35K |

*Note: Windsor Dam and Spillway Maintenance Project repayment will begin in December 2010, therefore that debt service does not show up in the past two year analysis but is included in the future year analysis.

Collateral – As security for the loan, the Company will pledge assessment revenues. The pledge shall be backed by a rate covenant. In addition, the Company will pledge its storage rights in Cobb Lake as identified in Table 1. This is in compliance with CWCB Financial Policy #5 (Collateral).

Staff Recommendation

Staff recommends the Board approve a loan from the Construction Fund not to exceed \$1,301,890 (\$1,289,000 for project costs and \$12,890 for the 1% Loan Service Fee) to WRCC, Inc. for engineering and construction costs related to the Cobb Lake Inlet Structure Project. The loan terms shall be 30 years at a blended rate of 2.85% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

cc: Mayo Sommermeyer, the Dow Law Firm, LLC
John W. Andrew, Ph. D., P.E., Andek Consulting, LLC
Susan Schneider, AGO

Attachment: Water Project Loan Program – Project Data Sheet

Water Project Loan Program - Project Data

Borrower: WRCC, Inc.

County: Larimer, Weld

Project Name: Cobb Lake Inlet Structure

Project Type: Reservoir Rehabilitation

Drainage Basin: South Platte

Water Source: Cache La Poudre

Total Project Cost: \$1,433,000

Funding Sources: Construction Fund

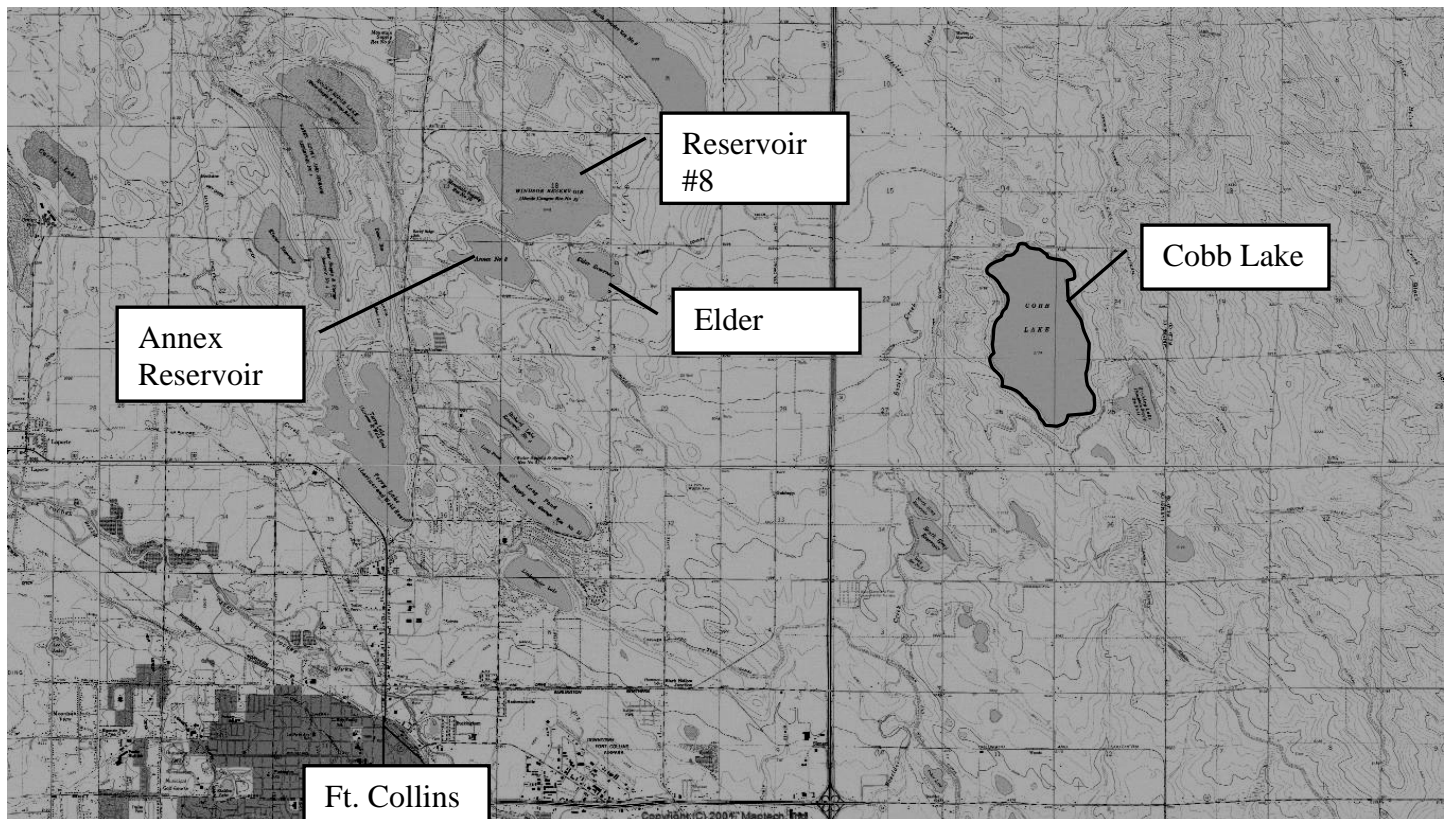
Type of Borrower: Blended
(Ag & Middle Income Municipal)

Average Delivery: 35,000 acre-feet

CWCB Loan: \$1,301,890 (Including 1% fee)

Interest Rate: 2.85% **Term:** 30 years

WRCC, Inc. (Company) owns and operates six storage reservoirs in Larimer and Weld Counties including Cobb Lake (Reservoir). The inlet ditch to the Reservoir has been badly eroded over time and vertical degradation has resulted in very steep ditch side slopes that are a safety concern. The inlet structures were built in the early 1900s and have been patched over the years; however, they are to the point where they could be subject to sudden catastrophic failure. If this inlet failed, the Reservoir could not be filled. The Company intends to reconstruct the existing inlet structures ditch to address both the safety and possible failure issues. Construction is expected to take place in early 2010 with completion by May 2010.



Location Map