

STATE OF COLORADO

Colorado Water Conservation Board Department of Natural Resources

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TO: Colorado Water Conservation Board Members

FROM: Tim Feehan, P.E., Project Manager
Water Supply Planning and Finance Section

DATE: November 10, 2009

SUBJECT: **Agenda Item 27a, November 16-18, 2009 Board Meeting**
Water Supply Planning and Finance Section - Changes to Existing Loans
Boulder White Rock Ditch and Reservoir Co. - Panama Reservoir Outlet

Introduction

At the November 2008 board meeting, the Colorado Water Conservation Board (CWCB) approved a loan to the Boulder White Rock Ditch and Reservoir Company (Company) in the amount of \$2,430,060 from the Severance Tax Trust Fund Perpetual Base Account. The loan was for the installation of a pump station in Panama Reservoir as part of the Panama Reservoir Outlet Project.

The Company is requesting an increase of \$434,104 to the Company's 2008 authorization, for a total request of \$2,864,164, which is 90% of the total project cost. The requested loan increase is due to higher than anticipated engineering and construction costs.

Staff Recommendation

Staff recommends the Board approve an increase of \$434,104 (\$429,806 for project costs and \$4,298 for a 1% Loan Service Fee) to the Company from the Severance Tax Trust Fund Perpetual Base Account, at its current interest rate of 3.45% for 30 years. The Company's total amended loan amount will be \$2,864,164 (\$2,835,806 for project costs and \$28,358 for the 1% Loan Service Fee) for the Panama Reservoir Outlet Project. Security for the loan shall be collateral in compliance with CWCB Financial Policy No. 5.

Background

The Company delivers water to 5,685 acres of irrigated land in Boulder and Weld Counties. It diverts approximately 12,000 AF of irrigation water from Boulder Creek in downtown Boulder through the Boulder White Rock Ditch and stores it in Six Mile Reservoir and Panama Reservoir.

Historically, the Company has exchanged water with nearby ditch users. The exchanges allow the Company to use water between its headgate on Boulder Creek and Panama Reservoir. Due to residential and commercial developments in areas serviced by the nearby ditches, these lands are no longer being irrigated and the exchange water is no longer available to Company users. Without the capability to exchange water, the Company needs to better utilize its own system to meet its shareholders' needs.

Currently, the Company releases water through a gravity outlet on the northeast side of the Panama Reservoir. At full capacity or gauge height 39.5, Panama Reservoir can store 4,200 AF. The Company is only able to release 1,600 AF of the reservoir's storage, given the elevation restriction at the outlet. The elevation of the outlet is at gauge height 34.5, which leaves approximately 2,600 AF of dead pool in the reservoir.

Without the water exchanges and lack of access to the 2,600 AF in Panama Reservoir, the Company is unable to meet its shareholders' demands. In November 2008, the Company received approval for a \$2,430,060 CWCB loan to construct a pumping station in Panama Reservoir, thereby allowing access to the 2,600 AF dead pool.

The Company has received bids to construct the Project, which was awarded to Krische Construction, Longmont, Colorado at a bid price of 2,189,530. In addition to the construction costs, there is approximately \$960,000 in costs associated with engineering, construction administration, pumps, power supply, easements, and project management, for a revised total project cost of \$3,151,000. This revised total project cost is approximately \$478,000 more than the original estimated project cost of \$2,673,000.

Discussion

Ed Toms, P.E., URS Corporation (URS), prepared the original Loan Feasibility Study for the project, entitled "*Panama Reservoir Outlet Project, October 2008.*" The study was prepared in accordance with the CWCB guidelines and included preliminary engineering design and cost estimates. Dan Grant, Secretary/Treasurer of the Company, also provided assistance with the Feasibility Study.

A comparison of the actual total cost of the project with that original feasibility estimate is summarized in Table 1.

Table 1

Construction Items	Nov. 2008 Est.	Current Est.
1. Engineering Design/Surveying	\$95,000	\$188,106
2. Construction Engineering	\$78,000	\$84,500
3. Construction	\$1,925,000	\$2,189,530
4. Pumps (Purchase only)	\$0	\$174,550
5. Power Supply	\$0	\$128,811
6. Easements	\$0	\$13,250
7. Construction Administration (Permits, Contracts, Fees, Project Management)	\$0	\$128,595
Sub-total:	\$2,098,000	\$2,907,342
8. Contingency	\$575,000 (27%)	\$244,553 (8.5%)
Totals:	\$2,673,000	\$3,151,895

The overall project is approximately \$479,000 over budget. The cost overruns can be attributed to higher than anticipated engineering and construction costs, unexpected pump costs, providing the necessary power supply to the site, and construction administration fees. The original pump station for the project was designed by Natural Resource Conservation Service (NRCS). URS's design engineering services consisted of peer review of NRCS's design and suggested design changes. Based on URS's review, it was determined that the pump size and configuration were not adequate for the Company's needs. This resulted in a full redesign of the project. In addition, providing 3-phase power to the site and legal fees for easement and contract negotiations were not specifically accounted for in the original estimate.

The Company is requesting an increase of \$434,100 to its current loan authorization of \$2,430,060 to cover 90% of the total cost. The new total amended loan amount for the Company would be \$2,864,160 at its original interest rate of 3.45% for 30 years. The new annual payment will be \$170,229, which includes the 10% reserve requirement. The Company's current loan of \$2,430,060 has an annual payment of \$144,430.

Financial Analysis

A summary of the financial aspects of the project are presented below in Table 2.

Table 2. Financial Summary

Total Project Cost	\$3,151,895
CWCB Loan Amount (90% of Project Cost and 1% Service Fee)	\$2,864,160
CWCB Loan Payment	\$154,750
CWCB Loan Payment (Including 10% Reserve)	\$170,229
Number of Shares	5,500
Current Assessment per Share	\$19
New Assessment per Share	\$76
Special Assessment (10% Match Requirements)	\$23
Cost per AF (2,600 AF) to Access Dead Pool	\$1,212

Creditworthiness:

The Company's current assessment is \$19 per share with a \$100 minimum. The Company's assessments will be increased to \$76 per share to cover the debt services associated with the CWCB loan increase. The Company will have a special assessment of \$23 per share in 2010 to cover the Company's required 10% match.

The financial ratios for the Company are shown in Table 3 below.

Table 3. Financial Ratios

<i>Financial Ratio</i>	<i>Past 3 Years</i>	<i>With project Future Year 2010+</i>
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	108% (Average) \$305k/282k	100% (Average) 451k/451k
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	330% (Strong) 305k-272k/10k	100% (Average) 451k-272k/179k
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	17% (Weak) 48k/282k	11% (Weak) (48k/451k)
Annual Operating Cost per Acre-Ft. (12,000 AF)* weak: >\$ 20 - average: \$10 - \$20 - strong: <\$10 *total water delivered by the system.	\$24 (Weak) 282k/12k AF	\$38 (Weak) (451k/12k)

Collateral: As security for the loan, the Company will be a pledge its assessment revenues and a ¼ interest in Panama Reservoir. Assuming a capital investment of \$3.1M to improve the reservoir, and a \$3,000 per AF value for the water (4,200 AF active pool), the estimated value of a ¼ interest in the reservoir would be approximately \$3,925,000. This is in compliance with WCB Financial Policy #5 (Collateral).

Recommendation

Staff recommends that the Board approve an increase of \$434,104(\$429,806 for project costs and \$4,298 for a 1% Loan Service Fee) to the Company from the Severance Tax Trust Fund Perpetual Base Account, at its current interest rate of 3.45% for 30 years. The Company's total amended loan amount will be \$2,864,164 (\$2,835,806 for project costs and \$28,358 for a 1% Loan Service Fee) for the Panama Reservoir Outlet Project. Security for the loan shall be collateral in compliance with CWCB Loan Policy No. 5.

c: Dan Grant, Secretary– Supply Irrigating Ditch Company
Susan Schneider, AGO

