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.
Tim Feehan, P.E., Chief
Finance Section

DATE: July 9, 2010

SUBJECT: **Agenda Item 8a, July 20-21, 2010 Board Meeting**
Finance Section – New Project Loans
Stagestop Owners Association – Stagestop Water Augmentation Reservoirs Project

Introduction

The Stagestop Owners Association (Association) is applying for a loan for its Stagestop Water Augmentation Reservoirs (Project). The purpose of this project is to repair the outlet works and spillways on two reservoirs used by the Association for the augmentation of wells that provide water for residential lots in the Stagestop subdivision. The reservoirs, known as the Upper Reservoir and the Lower Reservoir, are currently under a fill restriction by the Office of the State Engineer (SEO). In order to preserve the water rights in the Stagestop subdivision, the Association is requesting a loan for 90% of the total project cost of $212,000. 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 $192,708 ($190,800 for project costs and $1,908 for the 1% Loan Service Fee) to the Stagestop Owners Association for engineering and construction costs related to the Stagestop Water Augmentation Reservoirs Project. The loan terms shall be 20 years at the middle-income municipal rate of 4.25% per annum (reduced from 4.5% for a 30 year term). Security for the loan shall be in compliance with CWCB Financial Policy #5.

Background

The Stagestop subdivision is located in Park County, Colorado approximately 10 miles southeast of the town of Jefferson. The subdivision encompasses 1,460 acres and has 500 single-family residential lots. The water supply for these lots comes from individual wells. There are currently 199 active wells in the subdivision. Groundwater depletions from these wells occur in the Tarryall River drainage basin. The depletions are offset by storing and releasing water from Old House Creek, located roughly six miles north of Tarryall Reservoir.

The augmentation water from Old House Creek is stored in the Upper Reservoir and the Lower Reservoir. These reservoirs are located along Old House Creek in the Lost Park Ranches subdivision. The reservoirs were built in 1976 and are decreed for 12.5 acre-feet (AF). The Upper Reservoir holds 10.4 AF and the Lower Reservoir holds 3.3 AF.

The purpose of this project is to replace the outlet works at both reservoirs. Recent inspections showed breaks and infiltration into the outlet works. Sink holes in the dams have also been noticed, causing concern that these could lead to dam failure. For this reason, in March of 2010, the SEO put a restriction on the Upper Reservoir and will not allow that reservoir to be filled until repairs are made to both reservoirs.

Loan Feasibility Study

Paul Skeffington, Stagestop resident, and Jim McNeil, P.E. of Alpine Engineering Inc, prepared the Loan Feasibility Study titled “Feasibility of Rehabilitation of the Stagestop Water Augmentation Reservoirs, May 2010.” The study was prepared in accordance with the CWCB guidelines and included preliminary engineering design and cost estimates.

Stagestop Owners Association

The Association is a non-profit corporation incorporated in 1976. The Association is responsible for enforcing the covenants and by-laws of the subdivision, collecting dues and special assessments, and enforcing the augmentation decree regarding wells and water rights.

Annual meetings are held in June of each year. Annual dues are currently $73 per lot, due January 1 of each year. Increases in dues and special assessments are set at the annual meeting and must be approved by a majority vote of the members present. If dues are not paid, a lien can be placed against the lots.

Water Rights

The well permits for each lot in the subdivision are obtained by the individual property owners. The Association manages the augmentation plan for the entire subdivision. It owns the right to use the entire flow (20 AF) out of Old House Creek/Crosier Ditch, appropriated date of May 1, 1866.

The Association's Plan for Augmentation was approved in the Water Division 1, Water Court Case No. W-8108 in July of 1976. The subdivision needs 20 AF of consumptive use for augmentation. 10.9 AF are required during the irrigation season between May and September. 9.1 AF are required to be stored in the reservoirs for release during the remainder of the year.

Project Description

The objective of this project is to replace the existing outlet works at the Upper Reservoir and the Lower Reservoir. Three alternatives were considered:

Alternative No. 1 – No action: Due to the SEO mandate to fix the Upper Reservoir, this alternative was ruled out. Without the ability to operate the augmentation plan, the Association would have to rely on temporary substitute water supply plans or it could face well curtailment.

Alternative No. 2 – Line the existing outlet pipes: This alternative was dismissed because the pipes have been spot-repaired over the years and it was believed that lining them again would not be a long-term fix.

Selected Alternative No. 3 – Remove and replace the existing outlet works: This alternative was selected as the most cost-effective and reliable approach and has the approval of the SEO. The existing pipes will be removed and replaced with new 18-inch HDPE pipes, new 2'x2' outlet structures will be installed, and new screened intake structures will be installed. The existing spillways will be updated to be consistent with state standards. The engineer's estimate of this alternative is $212,000.

Schedule –The project will be bid in the fall of 2010, with work being completed before winter of 2010.

TABLE 1
TOTAL PROJECT COST SUMMARY

Task	Upper Reservoir	Lower Reservoir
Engineering (Design & Construction Management)	$18,800	$12,000
Construction	$99,000	$65,800
Contingency	$9,900	$6,500
Total	$127,700	$84,300

Financial Analysis

Table 2 shows a summary of the financial aspects of the loan request. The Association qualifies for the middle-income municipal interest rate of 4.25% for a 20year term (reduced from 4.5% for a 30 year term).

TABLE 2
FINANCIAL SUMMARY

PROJECT/LOAN	
Total Project Cost	$212,000
CWCB Loan (90% of the project cost))	$190,800
CWCB Loan (Including 1% Service Fee)	$192,708
CWCB Annual Loan Payment	$14,495
CWCB Loan Obligation (including 10% debt reserve funding)	$15,945
Total Number of Lots	500
Current Assessments per Lot	$73
Annual Cost Per Lot for Project (1st 10 years)	$32

Creditworthiness: The Association has no existing debt. At the annual meeting on June 26, 2010, association members voted to approve an increased assessment to cover the CWCB debt service.

TABLE 3
FINANCIAL RATIOS

Financial Ratio	**Past 3 Years**	**Future w/ Project**
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	126% (Strong) $39K/31K	117% (Average) $55K/47K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	N/A (No Ex. Debt)	160% (Strong) ($55K-31K)/ $15K
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	197% (Strong) $61K/31K	85% (Average) $40K/47K
Monthly Residential Water Bill weak: >$60 - average: $30 - $60 - strong: <$30	N/A	$2.67* ($32/year/500 lots) (Strong)

*This ratio is usually used when assessing municipal borrowers. Because individual home owners are responsible for wells and the Association only manages augmentation water, the ratio does not necessarily apply here.

Collateral – As security for the loan, the Association will pledge assessment revenues backed by a rate covenant and the Old House Creek/Crosier Ditch water rights noted in the water rights section of this memo. This is in compliance with the CWCB Financial Policy #5 (Collateral).

Staff Recommendation

Staff recommends the Board approve a loan from the Construction Fund not to exceed $192,708 ($190,800 for project costs and $1,908 for the 1% Loan Service Fee) to the Stagestop Owners Association for engineering and construction costs related to the Stagestop Water Augmentation Reservoirs Project. The loan terms shall be 20 years at the middle-income municipal rate of 4.25%

per annum (reduced from 4.5% for a 30 year term). Security for the loan shall be in compliance with CWCB Financial Policy #5.

cc: Virginia Skeffington, Stagestop Owners Association/President
Susan Schneider, AGO
Patricia DeChristopher, AGO

Attachment: Water Project Loan Program – Project Data Sheet

Water Project Loan Program - Project Data

Borrower: Stagestop Owners Association

County: Park

Project Name: Stagestop Water Augmentation Reservoirs Project

Project Type: Reservoir Rehabilitation

Drainage Basin: South Platte

Water Source: Old House Creek/ Tarryall River

Total Project Cost: $212,000

Funding Source: Construction Fund

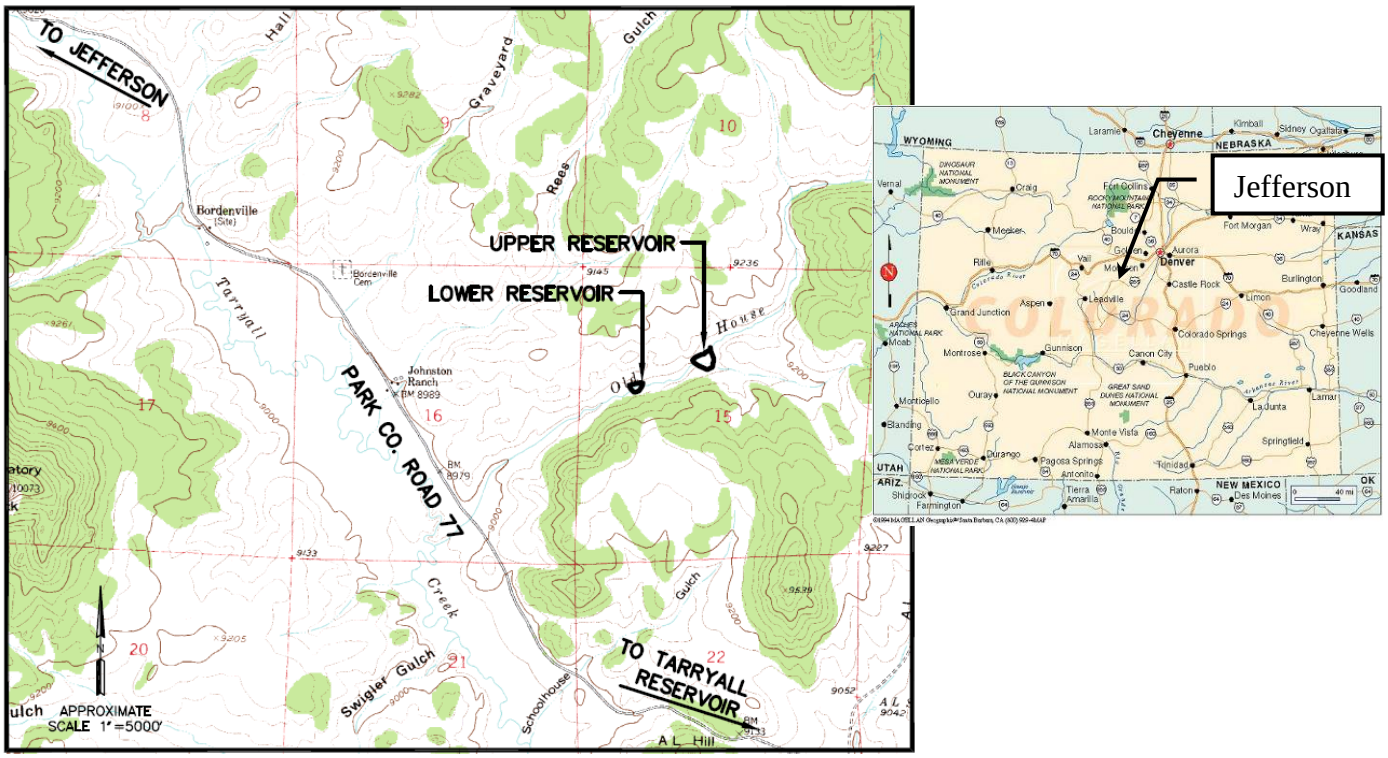
Type of Borrower: Middle Income Municipal

Aver. Diversion: 20 AF

CWCB Loan: $192,708 (incl. 1% loan fee)

Interest Rate: 4.25% **Term:** 20 years (Reduced from 4.5% for 30 year term)

The Stagestop Owners Association (Association) represents property owners in the Stagestop subdivision, located near Jefferson, Colorado. The Association was incorporated in 1976 and is made up of 500 single-family residential lots. Individual wells supply water to each lot in the Association. There are 199 active wells at this time. Groundwater depletions from these wells are offset by an augmentation decree that includes storage and releases of water from Old House Creek. The water is stored in two reservoirs referred to as the Upper Reservoir and Lower Reservoir. Both reservoirs need outlet work repair. The Upper Reservoir is under a fill restriction by the Office of the State Engineer. Through this project the Association plans on replacing the existing outlet pipes at both reservoirs, installing new outlet structures and valves, and reconstructing the existing spillways. Currently the project is in the design phase. Construction is expected to occur in the fall of 2010.



Location Map