

# STATE OF COLORADO

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## Colorado Water Conservation Board Department of Natural Resources

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TO: Colorado Water Conservation Board Members

FROM: Kirk Russell, P.E., Design & Construction  
Tim Feehan, P.E. Chief

DATE: January 14, 2011

SUBJECT: **Consent Agenda Item 3a, January 24-26 2011 Board Meeting**  
**Finance Section – Change to Existing Loan**  
**WRCC, Inc. – Cobb Lake Inlet Structure Project**

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### Guidance

At the May, 2005 Board Meeting, the Board authorized staff to present increases to existing loans less than 20% of the original loan as Consent Agenda Items. The WRCC, Inc. loan increase presented below is less than 4%.

### Introduction

WRCC, Inc. (Company) is repairing Cobb Lake's (Reservoir) inlet structure/ditch that had deteriorated to a dangerous point and was subject to failure. The Company has determined that an additional \$55,000 is necessary to complete the Project. The new total cost of construction is estimated to be \$1,488,000. In November 2009 the CWCB approved a loan for this project for engineering and construction costs. The loan terms are 30 years at a blended rate of 2.85% per annum. See attached Project Data Sheet for a location map and a project summary.

### Staff Recommendation

Staff recommends that the Board approve an increase of \$50,702 (\$50,200 for project costs and \$502 for the 1% Loan Service Fee) from the Construction Fund. The Company's amended total loan amount will be \$1,352,592 (\$1,339,200 for project costs and \$13,392 for the 1% Loan Service Fee) 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. The Company provides irrigation water to 55,000 acres of irrigated crops.

Cobb Lake is a 22,300 AF water supply 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 ditch has eroded causing very steep ditch side slopes that are a safety concern. The inlet structures are subject to failure which would make filling the Reservoir impossible.

## Project Cost Increase

During the design phase of the project there was serious consideration of continuing the rip rap design section throughout the entire length of the inlet canal at an estimated cost of \$500,000. A decision was made to evaluate the newly constructed inlet during operations and identify deficiencies at that time. During the 2010 winter fill, it became apparent that an additional 650 feet of channel needed \$130,000 of rip rap to avoid erosion. The Company considered this to be a successful outcome since it saved nearly \$370,000 by evaluating the system after it performed. The Company had approximately \$75,000 of contingency dollars available in the original project estimate, to address a part of the cost overrun.

## Financial Analysis

This Table 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 was used.

### FINANCIAL SUMMARY

PROJECT/LOAN	Prior Approval	Current Approval
Total Project Cost	\$1,433,000	\$1,488,000
CWCB Loan (90% of the Project cost)	\$1,289,000	\$1,339,200
CWCB Loan (Including 1% Service Fee)	\$1,301,890	\$1,352,590
CWCB Annual Loan Payment	\$65,140	\$67,680
CWCB Loan Obligation (inc. debt reserve funding)	\$71,654	\$74,440
Annual Cost Per Share (1,000 shares)	\$71.65	\$74.44
Current Assessments per share	\$375	\$443*
Future Assessments per share	\$515	\$518

\* The Company has a \$1.3 million CWCB loan (\$70,000 annual debt service) for the Windsor Dam and Spillway Maintenance Project. Construction was completed in November 2008 and repayment began December 1, 2010.

***Creditworthiness:*** The original Windsor Reservoir and Canal Company had 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

Staff has reviewed the Company's current financial status and feels the additional \$3/share (or 0.6% increase in annual assessments) will not affect the Company's ability to repay the loan.

***Collateral*** – Security for the loan will remain as the Company's pledge assessment revenues and the Company's storage rights in Cobb Lake. This is in compliance with CWCB Financial Policy #5 (Collateral).

Staff recommends that the Board approve an increase of \$50,702 (\$50,200 for project costs and \$502 for the 1% Loan Service Fee) from the Construction Fund. The Company's amended total loan amount will be \$1,352,592 (\$1,339,200 for project costs and \$13,392 for the 1% Loan Service Fee) 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  
Susan Schneider, AGO  
Patricia DeChristopher, AGO

Attachment: Water Project Loan Program – Project Data Sheet

**Water Project Loan Program - Project Data Sheet**  
**Updated 1/14/2011**

**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  
**Increased to \$1,488,000**

**Funding Sources:** Construction Fund

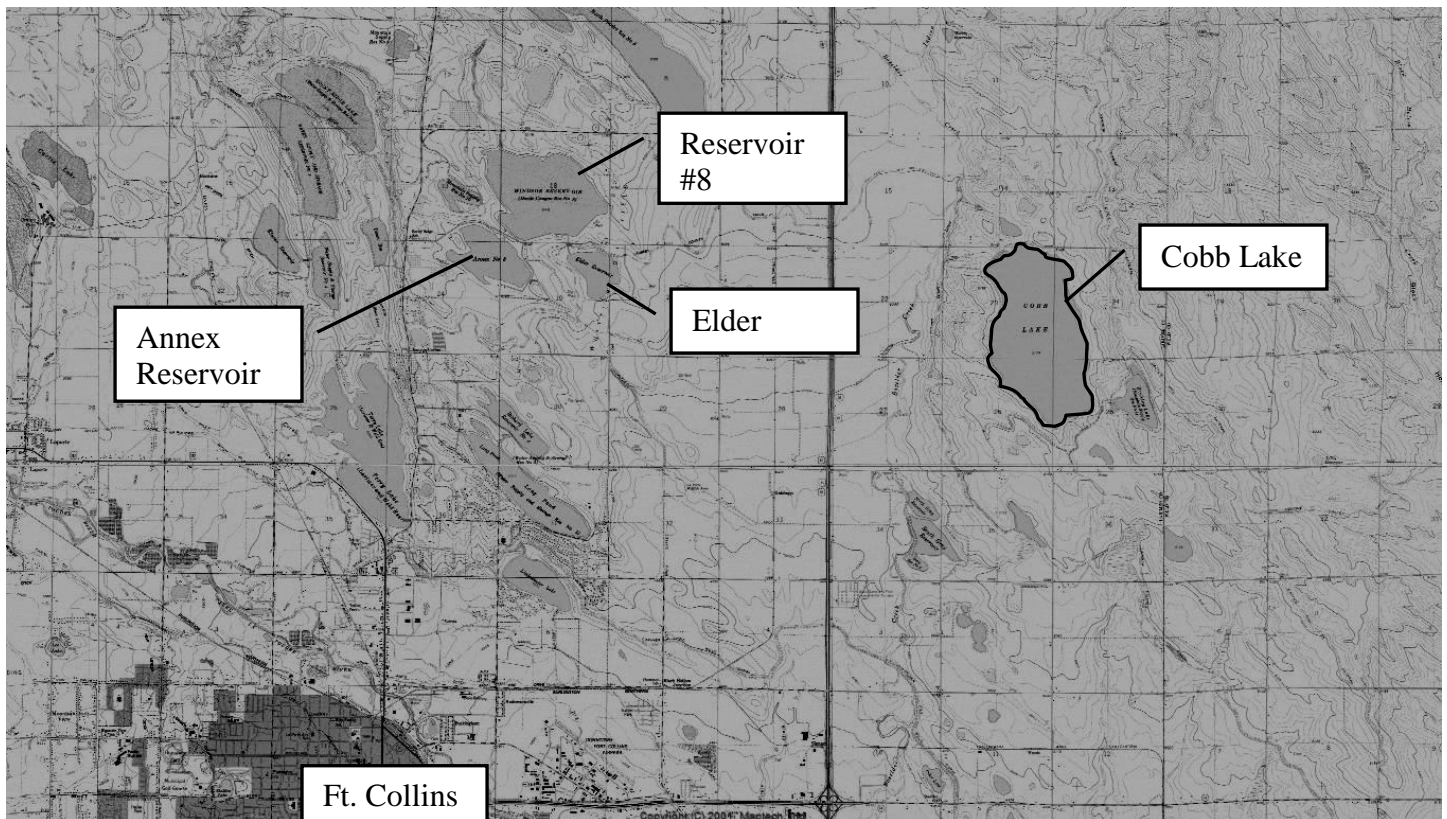
**Type of Borrower:** Blended  
(Ag & Middle Income Municipal)

**Average Delivery:** 35,000 acre-feet

**CWCB Loan:** \$1,301,890 (Including 1% fee)  
**Increased to \$1,352,592 (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 and 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 near complete. Additional funds are needed to address minor erosion that occurred during testing and initial use during fill.**



Location Map