

STATE OF COLORADO

Colorado Water Conservation Board

Department of Natural Resources

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TO: Colorado Water Conservation Board Members

FROM: Kirk Russell, PE, Design & Construction Manager
Tim Feehan, PE, Chief
Finance Section

DATE: March 4, 2011

SUBJECT: **Consent Agenda Item 2a, March 15-16, 2011 Board Meeting**
Finance Section – Change to Existing Loan
Farmers Pawnee Canal Company – Ditch Flow Control Structures Project

Introduction

The Farmers Pawnee Canal Company (Company) received approval of a loan for its Ditch Flow Control Structures Project (Project) in September 2008. The Project involves installation of new radial gates to help the Company more efficiently divert water at its river diversion and through its ditch. The Company is requesting a loan increase to assist in the additional cost of adding hydraulic operators to the Project. The new total cost of construction is estimated to be \$281,000 which is a 13% increase over the original project cost. See attached Project Data Sheet for a location map and a project summary.

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. This request is for an increase of 13% over the original loan authorization.

Staff Recommendation

Staff recommends that the Board approve an increase of \$28,280 (\$28,000 for project costs and \$280 for the 1% Loan Service Fee) to the Farmers Pawnee Canal Company from the Severance Tax Trust Fund Perpetual Base Account. The Company's amended total loan amount will be \$255,530 (\$253,000 for project costs and \$2,530 for the 1% Loan Service Fee) for engineering and construction costs related to the Ditch Flow Control Structures Project. The loan terms shall remain 30 years at an agricultural rate of 2.5% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Background and Current Project Status

The Company provides irrigation water to approximately 10,000 acres of agricultural land in Logan County. The service area extends from one mile south of Merino, CO to about four miles north of Sterling, CO along the west side of the South Platte River.

The Company has spent 92% of its loan funds to build a sand gate at the river diversion on the South Platte River and rebuild components of the secondary flow control structure downstream on the ditch. The work consisted of replacing a portion of the concrete wall system in the river channel with a new 12-foot radial gate. The gate was installed to reduce a sandbar problem. In addition, four 8-foot wide radial gates were installed to replace the board gates at the secondary flow control structure.

Construction of the secondary flow control structure was completed in the winter of 08/09 and the new sand flushing gate on the river diversion structure was completed in the winter of 09/10 by Ransom Boone.

After installation of the gates in the secondary flow control structure the Company had approximately \$31,000 remaining in the loan due to lower construction costs and final design adjustments. The Company decided to apply the savings towards automated hydraulic operators on the new gates. The loan increase will cover the additional funds necessary to add the operators.

Additional Costs - The Company received bids for the automated hydraulic operators of approximately \$66,000.

Additional Time – The Company anticipates the additional work will be done within the next two years.

Farmers Pawnee Canal Company

The Company is a Colorado mutual ditch company and non-profit corporation. It was established in 1898 to manage the Pawnee Ditch for the benefit of its shareholders. There are 500 shares held by 110 shareholders. The Company is controlled by a six member Board of Directors. The Board has the ability to levy assessments as they deem necessary. The Board also has the ability to sell the stock of delinquent stockholders.

Financial Analysis

Based on the share ownership the interest rate for the Company is the 2.5% for a 30-year term.

TABLE 1
FINANCIAL SUMMARY

PROJECT/LOAN	Original	Increase	New
Total Project Cost	\$250,000	\$31,000	\$281,000
CWCB Loan (90% of the Project)	\$225,000	\$28,000	\$253,000
CWCB Loan (Inc. 1% Service Fee)	\$227,250	\$28,280	\$255,530
CWCB Annual Loan Payment	\$10,900	-	\$12,200
Debt Service (inc. 10% reserve funding)	\$11,900	-	\$13,400
Annual Project Cost/Share (500 shares)	\$23.80	\$3.00	\$26.80
Annual Cost of Loan/AF (27,260 AF)	\$0.44	\$0.05	\$0.49

Creditworthiness: The Company's share assessment history is: \$205 in 2009, \$215 in 2010 and are currently set at \$225 for 2011. The current assessment rate will likely cover this loan increase. The Company had a CWCB loan with an annual payment of \$2,600 for the rehabilitation of its diversion dam and headgate structure after flood damage in 1997. The loan was paid in full in October 2008 with a history 'on time' payments.

TABLE 2
FINANCIAL SUMMARY

Financial Ratio	Prior to Project	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	99% (Weak) \$96/97K	100% (Average) \$109/109K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	47% (Weak) 96-97/2.6K	100% (Average) \$109-97/12K
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	18% (Weak) \$19/104K	15% (Weak) \$16/109K
Annual Operating Cost per Acre-Foot (27,260 AF) weak: >\$20 - average: \$10 - \$20 - strong: <\$10	\$3.59 (Strong) \$97K/27K AF	\$4.02 (Strong) \$109K/27K AF

Collateral – As security for the loan, the Company will remain a pledge assessment revenues. This is in compliance with CWCB Financial Policy #5 (Collateral).

cc: John Guenzi, Member, Farmers Pawnee Canal Company
 Susan Schneider, AGO

Attachment: Water Project Loan Program – Project Data Sheet

Water Project Loan Program - Project Data
Updated 3/4/2011

Borrower: Farmers Pawnee Canal Company

County: Logan

Project Name: Ditch Flow Control Structures Project

Project Type: Diversion Structures

Drainage Basin: South Platte

Water Source: South Platte River

Total Project Cost: \$250,000

Fund Source: Severance Tax TFPBA

Increased to \$281,000

Type of Borrower: Agricultural

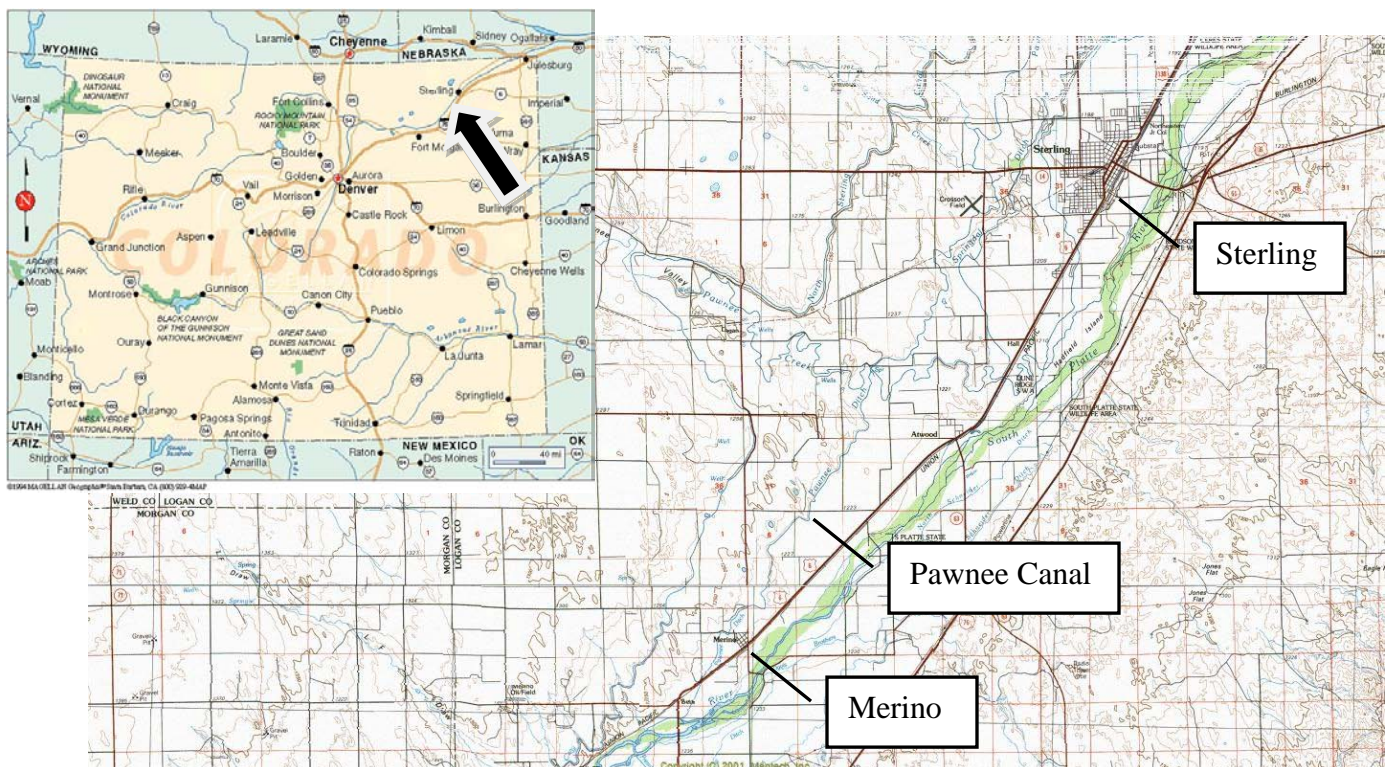
Average Diversion: 27,260 acre-feet

CWCB Loan: \$227,250 (Including 1% fee)

Interest Rate: 2.5% **Term:** 30 years

Increased to \$255,530 (Including 1% fee)

The Farmers Pawnee Canal Company provides irrigation water to approximately 10,000 acres of land between Merino and Sterling, Colorado. It uses two separate structures to control flow in the Pawnee Ditch. The first is a main diversion at the South Platte River. The second is a few miles down the Ditch and is used to adjust flow. The main diversion is a concrete rollover wall with vents to allow flushing of sand when opened. The secondary structure is currently controlled through the use of board style gates. Both structures are labor intensive and require monthly maintenance. To help with efficiency, the Company plans on replacing a portion of the main diversion with a new 12-foot radial gate. It also plans on replacing the board gates at the secondary structure with four 8-foot wide radial gates. **UPDATE: The Company added automated hydraulic operators to the project, which increased the total project cost to \$281,000 and required an increase to the original loan authorization. Installation is scheduled for the winter of 2011/12.**



Location Map