

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



John W. Hickenlooper
Governor

Mike King
DNR Executive Director

Jennifer L. Gimbel
CWCB Director

TO: Colorado Water Conservation Board Members

FROM: Anna Mauss, P.E. *AM*
Tim Feehan, P.E., Chief *TF*
Finance Section

DATE: July 1, 2011

SUBJECT: **Agenda Item 26d, July 12-13, 2011 Board Meeting**
Finance Section – New Project Loans
Town of Georgetown – Outlet Works Modification Project

Introduction

The Town of Georgetown (Town), acting by and through its Water and Sewer Enterprise (Enterprise), is applying for a loan for the Outlet Works Modification Project (Project). The purpose of this project is to increase the outlet capacity at Georgetown Lake (Lake) dam so the Town can release water in accordance with its augmentation plan. The Town is requesting a loan for approximately 90% of the \$3,275,000 Project. See attached Project Data Sheet for a location map and project summary.

Staff Recommendation

Staff recommends the Board approve a loan not to exceed \$2,976,975 (\$2,947,500 for project costs and \$29,475 for the 1% Loan Service Fee) from the Construction Fund to the Town of Georgetown, acting by and through its Water and Sewer Enterprise, for engineering and construction costs related to the Outlet Works Modification Project. The loan terms shall be 30 years at the middle-income municipal rate of 4.50% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Background

The Lake is an on-channel reservoir on Clear Creek located on the east side of Interstate Highway 70, north of the Town. The 386 acre-foot (AF) Lake is owned and operated by the Town. The Town has an agreement with the City of Black Hawk that allows Black Hawk to store up to 100 AF in the Lake.

In 1999, the Town filed for junior storage rights in the Lake to exchange the historic consumptive use of the Town's shares of the Farmers' High Line Canal and Reservoir Company and also to confirm storage and use of transmountain water (delivered through the Vidler Tunnel) available to the Town by contract. The Town filed these water court applications in order to permit storage in the Lake for recreational, municipal, and augmentation uses. (Note: the purchase of the Farmers' High Line Canal and Reservoir Company water rights was funded by a loan from the CWCB. Details of the loan are noted in Table 3 below.)

The final water court orders (08CW266) regarding the operations of the Lake mandated the Town and Black Hawk increase the capacity of the outlet works by April 2015. Currently the outlet can release 260 cfs. The court orders require the release of 500 cfs when the Lake is full. Until that time, the final court orders allow the Town and Black Hawk to store water in the Lake and operate the existing outlet under a temporary operational plan.

Ultimately, without the increased outlet capacity, the Town will not be able to use water stored in the Lake to augment its out of priority depletions.

Loan Feasibility Study

The Loan Feasibility Study, "Feasibility Study for Georgetown Lake Dam Outlet Works Modification Project," dated June 1, 2011, was prepared by Todd Ficken, P.E. with F&D International, LLC. The study was prepared in accordance with the CWCB guidelines and includes alternatives analysis, engineering design and cost estimates. An additional study, "Final Alternatives Analysis Report," dated December 21, 2007, was also prepared for the Town by TCB Consulting, Inc. and AECOM that provided supplemental information for the Loan Feasibility Study.

Town of Georgetown

The Town was established in 1866. It operates its water and sewer services through an Enterprise, established in 1998. The water and sewer service area is limited to the Town boundaries. Income comes from service fees and system development fees. Approximately 1,054 equivalent residential units (EQRs) are in the service area.

The Town's water and sewer system includes a water treatment facility, two water storage tanks, Georgetown Lake and Dam, the distribution system, and a wastewater treatment plant. On average, the Town delivers approximately 208 AF annually.

Water Rights

The Town supplies municipal water to its customers from an 1866 water right called the "Georgetown Ditch and Reservoir" water right. This right is for 3.0 cfs from May 1 – October 1 and 1.14 cfs from October 1 – May 1.

In recent years this right has been called out from mid-summer through the end of October. In order to continue to divert despite the call, the Town must make up the depletions that are caused to Clear Creek so that senior downstream water rights are not injured.

The Town has two pending augmentation plans that are intended to provide such augmentation. Case No. 98CW439 is seeking to change the Town's 1.5 shares of Farmers' High Line Canal and Reservoir Company shares to municipal and augmentation uses. Case No. 08CW145 seeks to use transmountain water delivered through the Vidler Tunnel as additional augmentation water stored in Georgetown Lake. The Town's out of priority deletions will be offset by either leaving water from its Farmers' High Line and Reservoir Company shares in Clear Creek and/or by making releases from Georgetown Lake.

The Final Orders in Case No. 08CW266 (requiring the 500 cfs outlet capacity) were necessary prior to finalizing the decrees in the augmentation cases. The augmentation cases are set for trial in 2012 or 2013. The Town is hopeful that stipulated decrees will be negotiated prior to the trial dates.

Project Description

The objective of this project is to increase the outlet capacity at Georgetown Lake dam to 500 cfs in order to comply with the water court mandate. Three alternatives were considered:

Alternative No. 1 – Install a slide gate: This alternative consisted of installing a 48-inch slide gate adjacent to the existing outlet works gate. This alternative was dismissed because of the underwater construction techniques that would have been required and because of concerns regarding the gate operations.

Alternative No. 2 – By-pass pipe through dam: This alternative consisted of installing a new pipe through the spillway. This alternative was not chosen because of concerns about structural stability during construction and potential seepage along the pipeline.

Selected Alternative No. 3 – By-pass pipe around dam: This alternative consisted of installing a new 54-inch pipe around the left abutment of the dam. An inlet structure would be located 120-feet upstream of the dam. The pipe would discharge into Clear Creek 100-feet downstream of the existing spillway.

Alternative No. 3 was selected because it uses traditional construction techniques (no underwater construction) and because it is separate from the dam, it will not require State Engineer Office approval.

TABLE 1: TOTAL PROJECT COST SUMMARY

Task	Cost
Final Engineering and Program Management	\$400,000
Construction	\$2,225,000
Permitting/Contract Preparation	\$75,000
Contingency (18%)	\$575,000
Total	\$3,275,000

In order to meet the deadline for increased outlet capacity, the Town plans to start with the final design immediately after funding is in place. It is expected that the final design will extend from the fall of 2011 through the winter of 2011/2012. Construction is then expected to begin in the spring of 2012, as soon as weather permits. Construction should be complete by the end of 2012.

Financial Analysis

Based on the median household income of the area, the interest rate for the Town is the middle-income municipal interest rate of 4.5% for a 30-year term.

TABLE 2: FINANCIAL SUMMARY

Total Project Cost	\$3,275,000
CWCB Loan Amount (90% of total Project cost)	\$2,947,500
CWCB Loan Amount (Including 1% Service Fee)	\$2,976,975
CWCB Loan Payment	\$182,761
CWCB Loan Obligation (Including 10% Reserve)	\$201,037
Number of EQRs	1,054
Monthly Cost of Loan (with Reserve Account) per EQR	\$15.90

Creditworthiness: The Town operates its Enterprise as a self-supporting business. Revenues are received from user fees.

The Town is currently negotiating with Black Hawk to have Black Hawk contribute a portion of the project costs through an Intergovernmental Agreement (IGA). That IGA has not been fully executed. The IGA will define whether Black Hawk will contribute a lump sum payment up front or if it will contribute annually as CWCB loan payments are due. It will also define the prorated portion of the total project costs to be paid by Black Hawk. Regardless of the terms of that agreement, the cash flow for the loan repayment will be secured by water service fees from the Town.

The Town's Enterprise has five outstanding loans summarized below.

TABLE 3: EXISTING LONG-TERM DEBT

Lender	Loan Purpose	Remaining Amount	Annual Payment	Maturity Date
Department of Local Affairs	Rose Street Project	\$177,803	\$20,061	2022
Department of Local Affairs	Argentine Project	\$72,026	\$4,413	2023
CWCB	Water Rights Purchase	\$137,327	\$12,714	2026
CO Water Resources & Power Development Authority	Water Treatment Plant	\$1,340,000	\$67,000	2030
CO Water Resources & Power Development Authority	Water Storage Tank	\$900,000	\$121,822	2031
Total		\$2,627,156	\$226,110	

TABLE 4: FINANCIAL RATIOS

Financial Ratio	Past 3 Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	141% (Strong) \$468K/\$331K	141% (Strong) \$468/\$331K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	276% (Strong) (\$546K-\$3314K)/ \$78K	128% (Strong) (\$877K-\$331K)/ \$427K
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	122% (Strong) \$497K/\$409K	22% (Weak) \$170K/\$758K
Average Residential Water Bill weak: >\$60 - average: \$30 - \$60 - strong: <\$30	\$38 (Average)	\$53 (Average)
Debt per Tap (1,054 EQR) weak: >\$5,000 - average: \$2,500-\$5,000 - strong: <\$2,500	\$2,467 (Strong) \$2.6M/1,054	\$5,313 (Weak) \$5.6M/1,054

Collateral: As security for the loan, the Town will pledge its Enterprise revenues backed by a rate covenant and annual financial reporting. This is in compliance with the CWCB Financial Policy #5 (Collateral).

Staff Recommendation

Staff recommends the Board approve a loan not to exceed \$2,976,975 (\$2,947,500 for project costs and \$29,475 for the 1% Loan Service Fee) from the Construction Fund to the Town of Georgetown, acting by and through its Water and Sewer Enterprise, for engineering and construction costs related to the Outlet Works Modification Project. The loan terms shall be 30 years at the middle-income municipal rate of 4.50% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

cc: Tom Hale, Town Manager, Town of Georgetown
 Susan Schneider, AGO
 Peter Johnson, AGO

Attachment: Water Project Loan Program – Project Data Sheet

**CWCB Water Project Loan Program
Project Data Sheet**

Borrower: Town of Georgetown
(Water and Sewer Enterprise)

County: Clear Creek County

Project Name: Outlet Works Modification Project **Project Type:** Dam Rehabilitation

Drainage Basin/District: South Platte / 7

Water Source: Clear Creek

Total Project Cost: \$3,275,000

Funding Source: Construction Fund

Type of Borrower: Middle-Income Municipal

Average Diversion: 208 AF

CWCB Loan: \$2,976,975 (w/ 1% service fee)

Interest Rate: 4.5% **Term:** 30 years

The Town of Georgetown is located on Clear Creek, along the I70 corridor, east of the continental divide. The Town needs to increase the outlet works capacity at Georgetown Lake Dam. The outlet works currently can release up to 260 cfs. In order to comply with an October 2010 court order regarding Georgetown Lake operations, up to 500 cfs must be released so the Town can meet the terms of its augmentation plan. The CWCB loan will be used to pay for the engineering costs and for the construction costs associated with the outlet works project. Construction is expected to begin in the spring of 2012 and should be complete by the end of the year.

