

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., Project Manager
Kirk Russell, P.E., Chief
Finance and Administration Section

DATE: May 3, 2013

SUBJECT: **Agenda Item 16c, May 14-15, 2013 Board Meeting**
Finance – New Water Project Loans
Boxelder Basin Regional Stormwater Authority – East Side Detention Facility Project

Introduction

The Boxelder Basin Regional Stormwater Authority (Authority), acting by and through its Water Activity Enterprise, is requesting a loan for the East Side Detention Facility Project (Project). This Project is one of two projects being constructed by the Authority for regional flood control improvements. It is a large stormwater detention facility to be constructed 2.5 miles north of Fort Collins. The total Project cost is estimated to be \$8,761,000. The Authority is requesting a loan from the CWCB for approximately 80% of Project costs. See attached Project Data Sheet for a location map and a project summary.

Staff Recommendation

Staff recommends the Board approve a loan not to exceed \$7,171,000 (\$7,100,000 for project costs and \$71,000 for the 1% Loan Service Fee) to the Boxelder Basin Regional Stormwater Authority, acting by and through its Water Activity Enterprise, for the East Side Detention Facility Project from the Construction Fund. The loan terms shall be 15 years at the municipal middle income interest rate of 2.75% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Background

In 2005 the communities of Fort Collins, Wellington, Timnath, Windsor, and Larimer County formed an alliance to develop a regional solution to mitigate the flood hazard posed by Boxelder Creek. The Boxelder Creek watershed covers 265 square miles from roughly the Wyoming border on the north and Poudre River on the south. Given the size of the watershed and the number of property owners, the local governments decided a regional mitigation plan would be the most efficient solution.

As a result of the alliance, the Boxelder Creek Regional Stormwater Master Plan was completed in October of 2006. The master plan was the basis of the formation of the Authority. The Authority was established in August of 2008 by an Intergovernmental Agreement (IGA) between the City of Fort Collins, Larimer County, and the Town of Wellington.

The purpose of the Authority was to develop and construct three regional flood control projects. The first of these projects, the Coal Creek Flood Mitigation project was completed in 2012. It was a \$5.1M project that diverted stormwater flows from Coal Creek (a tributary to Boxelder Creek) into Clark Reservoir. The project was funded through a FEMA Pre-Disaster Mitigation Grant with matching funds from the Authority's service fees.

The remaining two projects are the East Side Detention Facility and the Larimer and Weld Canal Crossing Structure. The East Side Detention Facility is the subject of this loan request. (The Larimer and Weld Canal Crossing Structure is the subject of a separate loan request.)

Loan Feasibility Study

Pinnacle Consulting Group, Inc., prepared The Loan Feasibility Study titled "*Feasibility Study For East Side Detention Facility*," dated April 1, 2013, with Engineering support from Andrea Faucett, P.E. of Ayres Associates of Fort Collins, Colorado. The study was prepared in accordance with the CWCB guidelines and includes an alternative analysis, engineering design and cost estimates.

Boxelder Basin Regional Stormwater Authority

The Authority was established as a drainage authority pursuant to section 29-1-204.2(2), C.R.S. (2012). The Authority operates as an Enterprise and collects Service and System Development Fees annually from the unincorporated area of Larimer County and the portions of Fort Collins and Wellington that lie within its 56 square mile service area. Included in this service area are 5,600 residences and nearly 300 commercial and industrial properties.

The Authority is governed by a five-member Board of Directors consisting of one each selected by Fort Collins, Wellington, and Larimer County and two unaffiliated members representing the public at large. The Board has the power to take on debt and to set fees and rates.

Project Description

The purpose of this Project is to construct a 1,800 acre-foot (AF) detention facility to reduce the threat of flooding to homes and businesses downstream of Boxelder Creek to remove large areas from the FEMA mapped floodplain.

Several sites were considered and were evaluated on factors that included: available floodwater storage, hydrologic benefit, and impacts on existing structures.

The optimum location was determined to be adjacent to the existing Gray Lake Reservoirs. It will be located on the east side of Interstate 25 across from the Budweiser Brewery, and between Larimer County Road 50 and County Road 52.

The final design is expected to be completed by September 2013. State Engineer Office approval of the dam will be required.

The Authority is in the process of negotiating the right of way for the detention facility. It is working with land owners and will potentially involve the Larimer County Court if condemnation of land is required.

Upon completion of construction a Physical Map Revision (PMR) will be submitted to FEMA to revise the flood hazard data on the Flood Insurance Rate Map (FIRM) maps.

Table 1 provides a summary of the estimated costs related to the Project.

TABLE 1: PROJECT COST SUMMARY

Task	Cost
Engineering Design & Permitting	\$1,402,000
Land Acquisition, Legal, Survey	\$2,162,000
Construction	\$3,144,000
Construction Management	\$369,000
Contingency	\$1,684,000
Total	\$8,761,000

Schedule: Construction is expected to start in December of 2013 with completion approximately one year later.

Financial Analysis

Table 2 shows a summary of the financial aspects of the Project. Based on the median household income of its members, the Authority's interest rate is the municipal middle income rate of 3.0% for a 30 year term. The Authority is applying for a 15 year term; therefore the interest rate is reduced by 0.25% to 2.75% per CWCB Loan Policy #7.

The Town of Timnath has agreed to partner in the Project and will contribute 25% of the cost as agreed upon through an IGA dated November 13, 2012.

Table 2. Project Financial Summary

PROJECT/LOAN	
Total Project Cost	\$8,671,000
Borrower Match	\$1,661,000
CWCB Loan	\$7,100,000
CWCB Loan (Including 1% Service Fee)	\$7,171,000
CWCB Annual Loan Payment	\$589,881
CWCB Loan Obligation (including 10% debt reserve funding)	\$648,869

CWCB will disburse funds at a rate of no greater than 90% of the total invoice amount for engineering and construction activities related to the Project, up to the approved loan limit.

Creditworthiness: The Authority has \$985,484 in existing debt. When the Authority constructed the Coal Creek Flood Mitigation project, the federal grant it received had a local matching requirement. The City and Town advanced funds for the project and the Authority agreed to repay the matching funds without interest at an unspecified future date. The Authority expects to pay off this debt after the CWCB loans are paid in full, so the debt service is not included in the “Future w/ Project” financial ratios.

Financial ratios were calculated using both the Larimer and Weld Canal Crossing Structure Project and the East Side Detention Facility Project as combined annual debt service of \$740,259 (including the debt reserve funding).

Table 3. Financial Ratios

Financial Ratio	Past 3 Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	289% (Strong) \$725K/\$251K	102% (Average) \$908K/\$890K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	N/A	102% (Average) (\$908K-\$150K)/ \$740K
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	98% (Average) \$724K/\$736K	88% (Average) \$785K/\$890K

Collateral - Security for this loan will be a pledge of Water Activity Enterprise revenues backed by a rate covenant and annual financial reporting. This security is in compliance with CWCB Loan Policy #5 (Collateral).

cc: Stan Myers, Authority Manager, Boxelder Basin Regional Stormwater Authority
 Susan Schneider, AGO

Attachment: Water Project Loan Program – Project Data Sheet

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

Borrower: Boxelder Basin Regional Stormwater Authority

County: Larimer

Project Name: East Side Detention Facility

Project Type: Flood Control

Drainage Basin/ District: South Platte / 3

Water Source: Boxelder Creek

Total Project Cost: \$8,761,000

Funding Source: Construction Fund

Type of Borrower: Middle Income Municipal

Average Annual Diversion: N/A

CWCB Loan: \$7,171,000
(with 1% service fee)

Interest Rate: 2.75% **Term:** 15-years
(Reduced from 3.0% for middle income municipal)

The Boxelder Basin Regional Stormwater Authority was formed in 2008, through an IGA between the City of Fort Collins, Larimer County and the Town of Wellington, to facilitate the construction of regional stormwater improvements to reduce the threat of flooding and remove areas from the FEMA floodplain in the Boxelder Creek basin. The East Side Detention Facility is a key component in the Authority's master plan. The detention facility will provide 1,800 AF of detention storage and will decrease downstream flows from approximately 6,700 cfs to 2,400 cfs. The reduced flow rate will allow 100-year flows to be contained in the current cross-section of Boxelder Creek and will eliminate the flow that occurs in the 100-year flood plain below the proposed detention facility. Construction is expected to take one year beginning in December of 2013. Repayment for the project will come from stormwater service and system development fees collected by the Authority.

