

STATE OF COLORADO

Colorado Water Conservation Board Department of Natural Resources

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TO: Colorado Water Conservation Board Members

FROM: Anna Mauss, P.E., Project Manager
Kirk Russell, P.E., Chief
Finance and Administration Section

DATE: July 3, 2013

SUBJECT: **Agenda Item 25e, July 16-17, 2013 Board Meeting**
Finance – New Water Project Loans
Bellyache Ridge Metropolitan District – Well Replacement Project

John W. Hickenlooper
Governor

Mike King
DNR Executive Director

James Eklund
CWCB Director

Introduction

The Bellyache Ridge Metropolitan District (District) is requesting a loan for the Well Replacement Project (Project). From January through March of 2013, the District had to haul in water because declining well production was not able to keep up with demands. The total Project cost is estimated to be \$335,000. The District is requesting a loan from the CWCB for approximately 50% of the Project costs. The remaining project costs will come from a Department of Local Affairs (DOLA) grant. 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 \$169,175 (\$167,500 for project costs and \$1,675 for the 1% Loan Service Fee) to the Bellyache Ridge Metropolitan District for Well Replacement Project from the Construction Fund. The loan terms shall be 30 years at the municipal high income rate of 3.0% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Background

The District is located in Eagle County approximately six miles west of Edwards, Colorado. The District's water system is supplied by three wells. The wells fill a 100,000 gallon storage tank and a 250,000 gallon storage tank.

The wells typically operate at a rate of 12.5 gpm to 25 gpm and operate 12 hours out of every 36 hours. Due to below average recharge during 2012, through the winter of 2012-2013 the wells pumped at rates of 1 to 2.5 gpm and operated 24 hours a day. During January through March of 2013, the water supply system was augmented with 240,000 gallons of hauled water.

Spring storms recharged the groundwater supply such that the District has not hauled water since March, but unless a new well is drilled hauling water will likely be required in the future.

Loan Feasibility Study

Thomas Zancanella, P.E. with Zancanella & Associates, Inc. in Glenwood Springs, Colorado prepared the Loan Feasibility Study titled "*Bellyache Ridge Metro District Well Replacement*," dated June 2013. The study was prepared in accordance with the CWCB guidelines.

Borrower - Bellyache Ridge Metropolitan District

The District was incorporated in 1981 as a Title 32 Special District. It services 65 lots with an average annual water use of 11.3 acre-feet. District revenues come from taxes and water user fees. It currently only collects 22.5 mills and has voter approval to collect up to 25 mills. In addition to a tiered rate structure for water service, it also collects \$25 per month as a drought surcharge fee.

Water Rights

The District's well rights are summarized in Table 1.

Table 1. Water Rights

Well #	Decreed Amount	Well Depth	Permit #
1R	0.132 CFS	550	17411-F-R
2	0.132 CFS	455	23683-F
3	0.089 CFS	505	37756-F

Project Description

The purpose of this Project is to drill a 1,900 foot deep replacement well for Well #2 to provide for a long-term water source for the District. The new well will be located in approximately the same location as the existing well. It is expected to produce 25 gpm.

Table 2. Estimated Cost of Project

PROJECT/LOAN	
Engineering	\$34,000
Construction	\$301,000
Total	\$335,000

Schedule – Drilling is scheduled for the fall of 2013 or as soon as CWCB loan funds are available.

Financial Analysis

Table 3 shows a summary of the financial aspects of the Project. Based on the median household income of the District, the interest rate will be the municipal high income rate of 3.0% for a 30-year term.

Table 3. Project Financial Summary

PROJECT/LOAN	
Total Project Cost	\$335,000
DOLA Grant (Approved July 6, 2013 conditioned upon CWCB funding)	\$167,500
CWCB Loan	\$167,500
CWCB Loan (Including 1% Service Fee)	\$169,175
CWCB Annual Loan Payment	\$8,631
CWCB Loan Obligation (including 10% debt reserve funding)	\$9,494
Monthly Cost of Loan per Tap (including 10% debt reserve funding)	\$12.17

Creditworthiness: The District has no existing debt.

Table 4. Financial Ratios

Financial Ratio	Past 2 Years	Future w/ Project
Operating Ratio (revenues/expenses) <div>weak: <100% - average: 100% - 120% - strong: >120%</div>	169% (Strong) \$152K/90K	154% (Strong) \$152K/99K
Debt Service Coverage Ratio (revenues-expenses)/debt service <div>weak: <100% - average: 100% - 120% - strong: >120%</div>	N/A	653% (Strong) (\$152K-\$90K)/ \$9.5K
Cash Reserves to Current Expenses <div>weak: <50% - average: 50% - 100% - strong: >100%</div>	90% (Average) \$81K/90K	82% (Average) \$81K/99K
Debt per Tap (Based on 65 Taps) <div>weak: >\$5,000 - average: \$2,500 - \$5,000 - strong: <\$2,500</div>	N/A	\$2,600 (Average) \$169K/65
Average Monthly Water Bill <div>weak: <\$60 - average: \$30 - \$60 - strong: >\$30</div>	\$51 (Average)	\$51 (Average)

Collateral - Security for this loan will be a pledge of the District mill levy revenues and annual financial reporting. This security is in compliance with CWCB Loan Policy #5 (Collateral).

cc: Cissy Olson, Bellyache Ridge Metropolitan District
 Susan Schneider/Jennifer Mele, Colorado Attorney General's Office

Attachment: Water Project Loan Program – Project Data Sheet

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

Borrower: Bellyache Ridge Metropolitan District **County:** Eagle

Project Name: Well Replacement Project

Project Type: Well Drilling

Drainage Basin/ District: Colorado / 37

Water Source: Groundwater

Total Project Cost: \$355,000

Funding Source: Construction Fund/
DOLA Energy and Mineral Impact
Assistance Fund

Type of Borrower: Municipal (High)

Average Annual Diversion: 11 AF

CWCB Loan: \$169,175
(with 1% Service Fee)

Interest Rate: 3.0% **Term:** 30 years

The District is located in Eagle County approximately six miles west of Edwards, Colorado. The District's water system includes three wells that fill two storage tanks. From January through March of 2013, the District had to haul in water because declining well production was not able to keep up with demands. Spring storms recharged the groundwater supply such that the District has not hauled water since March, but unless a new well is drilled hauling water will likely be required in the future. A new replacement well will be drilled as soon as funding is available.

