

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



July 22, 2013

Town of Fowler, Water Enterprise
Attn: Dan Hyatt, Interim Town Manager
317 S. Main Street
Fowler, CO 81039

John W. Hickenlooper
Governor

Mike King
DNR Executive Director

James Eklund
CWCB Director

Re: Augmentation Waterline Project
Contract Number C150359

Mr. Hyatt:

I am pleased to inform you that on July 17, 2013 the Colorado Water Conservation Board approved your loan request for the Augmentation Waterline Project as described in the application and approved Loan Feasibility Study titled "*Town of Fowler – Augmentation Waterline Project – Loan Feasibility Study*." The Board approved a loan not exceed \$277,245 (\$274,500 for project costs and \$2,745 for the 1% Loan Service Fee). The loan terms shall be 30 years at the municipal low income rate of 2.25% per annum.

I have attached a copy of the updated Board memo dated July 19, 2013, that includes the Board's approval.

After the Board approves a loan there are a few steps that remain in the loan process including:

- A) Contracting: An approved contract must be in place before funds can be disbursed. Peg Mason will contact you to initiate the loan contracting process for this project. When all of the contract conditions are met and the contract is executed the District may request loan funds to cover eligible project expenses. You can contact Peg at (303) 866-3441 x3227.
- B) Design/Construction: You must adhere to the CWCB Design and Construction Administration Procedures. Anna Mauss will be the project manager for this phase of the process. Anna will work with you on the disbursement of your loan funds. You can contact Anna at (303) 866-3441 x3224.

Town of Fowler, Water Enterprise
Augmentation Waterline Project
July 22, 2013
Page 2 of 2

On behalf of the Board, I would like to thank you for your interest in a loan from the Colorado Water Conservation Board.

Sincerely,

A handwritten signature in blue ink, appearing to read "KORR", with a stylized flourish at the end.

Kirk Russell, P.E., Chief
Finance Section
Colorado Water Conservation Board

A handwritten signature in blue ink, appearing to read "Anna Mauss", with a stylized flourish at the end.

Anna Mauss, P.E., Project Manager
Finance Section
Colorado Water Conservation Board

Attachment: Updated Board Memo

E-mail Copy (Including Attachments)

Alan Hamel, CWCB Board Member – Arkansas River Basin
CWCB Finance Section Staff

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TO: Colorado Water Conservation Board Members

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

DATE: July 3, 2013 (Updated July 19, 2013)

SUBJECT: **Agenda Item 25d, July 16-17, 2013 Board Meeting**
Finance – New Water Project Loans
Town of Fowler – Augmentation Waterline Project

John W. Hickenlooper
Governor

Mike King
DNR Executive Director

James Eklund
CWCB Director

Introduction

The Town of Fowler (Town), acting by and through its Water Enterprise, is requesting a loan for the Augmentation Waterline Project (Project), to separate its augmentation water from its stormwater and deliver it to the Arkansas River. The total Project cost is estimated to be \$305,000. The Town is requesting a loan from the CWCB for approximately 90% of Project costs. See attached Project Data Sheet for a location map and a Project summary.

Staff Recommendation (Board approved staff recommendation on July 17, 2013)

Staff recommends the Board approve a loan not to exceed \$277,245 (\$274,500 for project costs and \$2,745 for the 1% Loan Service Fee) to the Town of Fowler Water Enterprise for the Augmentation Waterline Project from the Construction Fund. The loan terms shall be 30 years at the municipal low income rate of 2.25% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Background

The Town is located in Otero County along Highway 50, approximately 35 miles east of Pueblo. The Town's water system service area includes the Town and adjacent areas within unincorporated Otero and Crowley Counties.

The Town's water supply consists of nine wells. It augments these wells with surface water rights, both owned and leased. On average the Town's groundwater depletions are 490 acre-feet (AF) annually. The depletions are covered by an augmentation plan managed by the Colorado Water Protective and Development Association (CWPDA). The Town must provide CWPDA with water to use in the augmentation plan, so it purchases Municipal Fry-Ark Project water from the Southeastern Colorado Water Conservancy District (Southeastern) for this purpose.

The amount of water available from Southeastern is variable each year, so the Town is in the process of seeking a water court change of its water shares in the Oxford Farmers Ditch Company (Oxford Ditch) so the water can be used for augmentation, in turn improving the reliability of its water supply.

Currently the Town's Oxford Ditch shares blend with the Town's storm sewer system which outfalls into the Otero Canal. In order to be in compliance with a Water Court mandate, the Town must separate its stormwater from its augmentation water and pipe the augmentation water directly to the Arkansas River.

The separation of the augmentation water from the stormwater is the subject of this loan request.

Loan Feasibility Study

The Loan Feasibility Study titled "*Town of Fowler – Augmentation Waterline Project – Loan Feasibility Study*," dated May 2013 was prepared for the Town by Michelle Probasco, P.E. with TST, Inc., in Lone Tree, Colorado with assistance from Dan Hyatt, Interim Town Manager and from W.W. Wheeler and Associates water resource engineers. The study was prepared in accordance with the CWCB guidelines.

Borrower - Town of Fowler

The Town was incorporated in 1900. It has approximately 1,185 residents. Growth over the past 10 years has been stagnant.

The water service is operated as an Enterprise servicing 709 taps. The Enterprise revenues come from water usage fees. The average water bill is \$40 per month.

Water Rights

The Town has nine wells that yield 635AF annually. It owns 8.30 shares in the Oxford Farmers Ditch Company and leases an additional 2.4 shares in the ditch. These shares are owned by the Fowler School District and are leased through November 14, 2020. The Oxford Ditch shares are currently going through a change of use through water court for augmentation use. On average, the Town's Oxford Ditch shares are expected to yield 77 AF.

Project Description

The purpose of this Project is to construct a diversion box to separate stormwater from augmentation water and to pipe the augmentation water directly to the Arkansas River.

The project will consist of replacement of a section of deteriorated storm sewer pipe and the replacement of a concrete swale into a diversion box. At the diversion box, a section of 36-inch pipe will be installed to route stormwater, and a 12-inch pipe will be installed to route augmentation water. From the diversion box, an approximately 2,400LF 12-inch pipe will deliver water across the Otero Ditch to the Arkansas River.

Cost Estimate

Table 1. Estimated Cost of Project

PROJECT/LOAN	
Engineering Design	\$20,000
Survey / Testing	\$8,000
Construction Management	\$6,000
Construction	\$266,000
Legal (contract review)	\$5,000
Total	\$305,000

Schedule – Construction of the Project is scheduled for the fall of 2013 with completion by the end of the year.

Financial Analysis

Table 2 shows a summary of the financial aspects of the Project. Based on the median household income of the Town, the interest rate will be the municipal low income rate of 2.25% for a 30-year term.

Table 2. Project Financial Summary

PROJECT/LOAN	
Total Project Cost	\$305,000
Borrower Contribution (10%)	\$30,500
CWCB Loan	\$274,500
CWCB Loan (Including 1% Service Fee)	\$277,245
CWCB Annual Loan Payment	\$12,809
CWCB Loan Obligation (including 10% debt reserve funding)	\$14,089
Monthly Cost of Loan per Tap (including 10% debt reserve funding)	\$1.66

Creditworthiness: The Town's Water Enterprise has an existing loan with Deere & Company for the purchase of a tractor. The loan has a balance of \$12,000 with annual payments of \$3,000. The tractor serves as collateral, so the debt service will not be in conflict with the CWCB's collateral.

An increase in water rates will not be necessary to cover the CWCB debt service from this Project.

Table 3. Financial Ratios

Financial Ratio	Past 3 Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	166% (Strong) \$348K/210K	155% (Strong) \$348K/224K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	4700% (Strong) (\$348K-207K)/ \$3K	829% (Strong) (\$348K-\$207K)/ \$17K
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	204% (Strong) \$429K/210K	178% (Strong) \$398K/224K
Debt per Tap (Based on 709 Taps) weak: >\$5,000 - average: \$2,500 - \$5,000 - strong: <\$2,500	\$17 (Strong) \$12K/709	\$408 (Strong) \$298K/709
Average Monthly Water Bill weak: <\$60 - average: \$30 - \$60 - strong: >\$30	\$40 (Average)	\$40 (Average)

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

cc: Dan Hyatt, Interim Town Manager, Town of Fowler
 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**

C150359

Borrower: Town of Fowler, Water Enterprise

County: Otero

Project Name: Augmentation Pipeline Project

Project Type: Augmentation

Drainage Basin/ District: Arkansas / 17

Water Source: Arkansas River

Total Project Cost: \$305,000

Funding Source: Construction Fund

Type of Borrower: Municipal (Low)

Average Annual Diversion: 157 AF

CWCB Loan: \$277,245
(with 1% Service Fee)

Interest Rate: 2.25% **Term:** 30 years

The Town is located in Otero County along Highway 50, approximately 35 miles east of Pueblo. It has approximately 1,185 residents. The Town's water system service area includes the Town and adjacent areas within unincorporated Otero and Crowley Counties for a total of 709 taps. Per a water court mandate, the Town must separate its augmentation water from its stormwater. The purpose of this project is to construct a diversion box to separate stormwater from augmentation water and to pipe the augmentation water to the Arkansas River. Construction of the Project is scheduled for the fall of 2013 with completion expected to occur by the end of the year.

