

# STATE OF COLORADO

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## Colorado Water Conservation Board Department of Natural Resources

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TO: Colorado Water Conservation Board Members

FROM: Kirk Russell, PE, Chief  
Finance & Administration Section

DATE: October 18, 2013

SUBJECT: **Agenda Item 7, October 21, 2013 Special Board Meeting**  
**Finance – Emergency Loan Terms in Response to 2013 Flood**

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John W. Hickenlooper  
Governor

Mike King  
DNR Executive Director

James Eklund  
CWCB Director

### Introduction

Due to the unprecedented flooding within the tributaries of the South Platte River in September 2013, the Board asked staff look for opportunities within CWCB's current Programs to make funds available to the impacted water providers in the Basin. On October 8, 2013, based on informal guidance from the CWCB Director and the Board, staff prepared a Fact Sheet (attached) detailing the process for accessing CWCB's "Emergency Loans". The offer was made available to the impacted water suppliers in the area and includes a zero interest and zero payments for three years loan as described below. The goal of the offer was to provide bridge financing opportunities to water providers so that they can hire engineers and contractors to repair critical infrastructure as soon as possible. It is anticipated that some of the applicants will eventually receive grant funding to assist in this effort. This Emergency Loan format will allow the flexibility necessary to payoff loan principal if/when those grant funds are made available.

### Staff Recommendation

Staff recommends the Board approve the use of the Emergency Loan terms for the purpose of rebuilding water supply infrastructure damaged by the September 2013 flood event.

### Description

An Emergency Loan will be utilized for the purpose of providing the necessary capital in order to rebuild delivery systems damaged or destroyed by the September Flood of 2013.

Emergency Loans will contain the following details:

No Interest Period: The 'no interest' time period will end three years after the Loan Payment Initiation Date. The Initiation Date will be the first day of the month following the date that the Loan Contract is signed by the DNR Controller. On the third anniversary of the Initiation Date,

interest will begin to accrue at the interest rate established at the time of Board approval. After the three year period the principal balance will begin accruing interest.

**Interest Rates:** Interest rates will be determined as defined by Financial Policy #07 for a 30 year term. No interest rate reductions for shorter terms will be considered. This is an exception from the Policy.

**No payments:** No annual payments will be required during the three year 'no interest' time period and the Borrower will agree to commence payment on the balance of the loan on the fourth anniversary of the Loan Payment Initiation date. (see attached example of amortization schedule)

**Other Funding Sources:** Staff will include in the Loan Contract a requirement that the Borrower will apply all money received for the purpose of the Project from other sources such as Federal, State, and local grants to the loan balance within 30 days of receipt of funds.

**Contract Amendment Fee - Waived:** Per Financial Policy #16 and language in the contract, CWCB charges a \$1,000 fee for contract amendments. It is possible that federal, state or local funding will become available during the three year 'no interest' period. Those funds will be submitted to the CWCB and be applied to the Loan balance. The CWCB will amend the contract at the end of the 'no interest' period and waive the Amendment Fee.

**100% Project Financing:** Financial Policy #11 establishes a limit of only financing 90% of eligible Project costs. Staff is recommending the board exempt this limitation for Emergency Loans and allow for 100% funding of qualifying Project costs.

**1% Service Fee:** The 1% Service Fee will remain as a standard requirement for the Emergency Loans. The Service Fee is charged on the actual amounts disbursed to the Borrower from CWCB during the three year Time of Performance.

**Available Funds:** Staff reviewed the cash available and determined that \$15 million could be made available for Emergency Loans; however, it is anticipated that additional moneys will be needed to support the rebuilding efforts. Staff continues to make contact with existing borrowers to determine the impact to CWCB funded projects and other important water supply system components. Staff feels a high priority must be assigned to these existing borrowers to assure repayment and to protect the CWCB's loan funds. If CWCB funding is not adequate to meet the demands, then the Board and staff will utilize the priority list provided by Financial Policy #12 with a preference towards funding existing Borrower's needs.

**Shareholder Resolution:** Due to the significant increase in shareholder assessments needed to cover the Emergency Loan annual payments, staff is requesting applicants to provide a shareholder resolution supporting the Emergency Loan and its Pledge of Assessment contract requirement. Exceptions will be considered on a case by case basis.

**Collaboration Statement:** The following language will be included in the Board Memo and the Loan Approval letters when applicable. *The borrower is encouraged to consider rebuilding a river*

*diversion system that enhances consumptive and nonconsumptive uses of water within the river corridor. Examples include improved fish passage, improved rafting/boating navigation, and possible shared ownership/use of a single diversion structure where possible. If needed, loan funds may be used for the construction of temporary diversion until such time that a multi-beneficial structure can be designed and constructed.*



## Colorado Water Conservation Board

# 2013 FLOOD EVENT EMERGENCY LOANS

### Purpose of Emergency Loan Funding

In order to make money available to river diverters that were impacted by the September 2013 Flood Event in the South Platte Basin, the CWCB is making available \$15 million in emergency loan funding to ditch and reservoir companies located in Boulder, Jefferson, Larimer, Logan, Morgan, and Weld counties. It is anticipated that many flood damaged river diversion structures and dams may not qualify for federal assistance.

### Eligible Projects

Typical projects to be considered for Emergency Loan Funding include: repair or replacement raw water supply structures damaged by the flood event including: river diversion dams, gate structures, measuring devices, ditch rehabilitation efforts, dams, and well/pump systems.

The CWCB encourages the rebuilding of a better river diversion system where possible. Incentives may be available to those projects that are multi-beneficial and allow for more accurate measurements and administration of the river, and serve more than one user in an area of the river.

### Repayment Terms

Approved Emergency Loans will have access to loan funds with NO PAYMENTS and ZERO INTEREST for three years followed by 27 years of amortized payments at the current CWCB loan interest rates.

### Application and Approval Process

Applicants shall submit an Emergency Loan Application and Feasibility Study as soon as practical including an engineer's/contractor's written recommendation and cost estimate (level of detail will vary depending on project type) and two years of Company financial

statements. Qualifying applications received by October 16 will be considered by the CWCB Board for approval on October 21, 2013. The next application deadline for Emergency Funding will be November 1, 2013 for consideration at the November 19/20, 2013 Board meeting.

### Contracting Requirements

Applicants must be able to enter into a Loan Contract with the State of Colorado which includes:

- 1) Attorney opinion letter
- 2) Proof of general liability insurance
- 3) Shareholder Resolution approving the debt
- 4) Collateral: Pledge of Assessment Revenues and the Project
- 5) The standard 1% service fee will be rolled into the loan

Application documents and an example of the Loan Contract can be found on the CWCB website [www.cwcb.state.co.us](http://www.cwcb.state.co.us)

### More Information & Contacts

Questions should be directed to Anna Mauss, PE, at (303) 866-3441 x3224 or [anna.mauss@state.co.us](mailto:anna.mauss@state.co.us)

Applicants are encouraged to submit complete documentation as early as possible to avoid delays.

October 9, 2013

# COLORADO WATER CONSERVATION BOARD

## EMERGENCY LOAN REPAYMENT SCHEDULE

<b>Borrower</b>	<b>Borrower</b>	<b>PRELIMINARY</b>
<b>Loan Contract Number</b>	<b>C150XXX</b>	
<b>Principal</b>	<b>\$1,000,000.00</b>	
<b>Interest Rate</b>	<b>1.75%</b>	
<b>Frequency</b>	<b>Annual</b>	
<b>Payment Initiation Date</b>	<b>January 1, 2014</b>	
<b>Term (In Years)</b>	<b>30</b>	
<b>First Payment Due</b>	<b>January 1, 2018</b>	
<b>Payment Amount</b>	<b>\$46,790.79</b>	Based on 27 Years

<b>Loan Payment No.</b>	<b>Annual Payment Due Date</b>	<b>Annual Payment Amount</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal BALANCE</b>
					\$ 1,000,000.00
1	1-Jan-15	\$0.00	\$ -	\$ -	\$ 1,000,000.00
2	1-Jan-16	\$0.00	\$ -	\$ -	\$ 1,000,000.00
3	1-Jan-17	\$0.00	\$ -	\$ -	\$ 1,000,000.00
4	1-Jan-18	\$46,790.79	\$ 29,290.79	\$ 17,500.00	\$ 970,709.21
5	1-Jan-19	\$46,790.79	\$ 29,803.38	\$ 16,987.41	\$ 940,905.83
6	1-Jan-20	\$46,790.79	\$ 30,324.94	\$ 16,465.85	\$ 910,580.89
7	1-Jan-21	\$46,790.79	\$ 30,855.62	\$ 15,935.17	\$ 879,725.27
8	1-Jan-22	\$46,790.79	\$ 31,395.60	\$ 15,395.19	\$ 848,329.67
9	1-Jan-23	\$46,790.79	\$ 31,945.02	\$ 14,845.77	\$ 816,384.65
10	1-Jan-24	\$46,790.79	\$ 32,504.06	\$ 14,286.73	\$ 783,880.59
11	1-Jan-25	\$46,790.79	\$ 33,072.88	\$ 13,717.91	\$ 750,807.71
12	1-Jan-26	\$46,790.79	\$ 33,651.66	\$ 13,139.13	\$ 717,156.05
13	1-Jan-27	\$46,790.79	\$ 34,240.56	\$ 12,550.23	\$ 682,915.49
14	1-Jan-28	\$46,790.79	\$ 34,839.77	\$ 11,951.02	\$ 648,075.72
15	1-Jan-29	\$46,790.79	\$ 35,449.46	\$ 11,341.33	\$ 612,626.26
16	1-Jan-30	\$46,790.79	\$ 36,069.83	\$ 10,720.96	\$ 576,556.43
17	1-Jan-31	\$46,790.79	\$ 36,701.05	\$ 10,089.74	\$ 539,855.38
18	1-Jan-32	\$46,790.79	\$ 37,343.32	\$ 9,447.47	\$ 502,512.06
19	1-Jan-33	\$46,790.79	\$ 37,996.83	\$ 8,793.96	\$ 464,515.23
20	1-Jan-34	\$46,790.79	\$ 38,661.77	\$ 8,129.02	\$ 425,853.46
21	1-Jan-35	\$46,790.79	\$ 39,338.35	\$ 7,452.44	\$ 386,515.11
22	1-Jan-36	\$46,790.79	\$ 40,026.78	\$ 6,764.01	\$ 346,488.33
23	1-Jan-37	\$46,790.79	\$ 40,727.24	\$ 6,063.55	\$ 305,761.09
24	1-Jan-38	\$46,790.79	\$ 41,439.97	\$ 5,350.82	\$ 264,321.12
25	1-Jan-39	\$46,790.79	\$ 42,165.17	\$ 4,625.62	\$ 222,155.95
26	1-Jan-40	\$46,790.79	\$ 42,903.06	\$ 3,887.73	\$ 179,252.89
27	1-Jan-41	\$46,790.79	\$ 43,653.86	\$ 3,136.93	\$ 135,599.03
28	1-Jan-42	\$46,790.79	\$ 44,417.81	\$ 2,372.98	\$ 91,181.22
29	1-Jan-43	\$46,790.79	\$ 45,195.12	\$ 1,595.67	\$ 45,986.10
30	1-Jan-44	\$46,790.86	\$ 45,986.10	\$ 804.76	\$ -

**TOTALS**

\$1,263,351.40	\$1,000,000.00	\$263,351.40
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