

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: October 18, 2013

SUBJECT: **Agenda Item 8e, October 21, 2013 Special Board Meeting**
Finance – Emergency Loans
Big Thompson and Platte River Ditch Company – Emergency Big Thompson
and Platte River Diversion Structure Repair

Introduction

The Big Thompson and Platte River Ditch Company (Company) is applying for an Emergency Loan for the Emergency Big Thompson and Platte River Diversion Structure Repair Project (Project). During the unprecedented flood of September 2013 in the tributaries to the South Platte River, a significant number of diversion structures and dams along the river corridor were damaged. The purpose of this Project is to repair the diversion structure and crossing structures to allow the Company to deliver water to shareholders. The total Project cost is estimated to be \$800,000. See attached Project Data Sheet for a location map and project summary.

Staff Recommendation

Staff recommends the Board approve a loan not to exceed \$808,000 (\$800,000 for project cost and \$8,000 for the 1% service fee) to the Big Thompson and Platte River Ditch Company for 100% of engineering and construction costs related to the Emergency Big Thompson and Platte River Diversion Structure Repair Project from the Severance Tax Perpetual Base Fund, up to the approved loan amount. The loan terms shall be three years of no interest followed by 27-years at a blended interest rate of 1.85% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Staff additionally recommends the following contract condition:

Any future grant funds obtained for the purpose of this Project shall be submitted to CWCB to be applied to the balance of the loan within thirty (30) calendar days after receipt of said funds.

Background

The Company delivers water to 25 shareholders that irrigate 3,040 acres east of Milliken, Colorado. Its diversion structure and crossing structures were a total loss as a result of the September 2013 flood.

Loan Feasibility Study

Gene Kammerzell, the Company President, along with Doug Seeley, P.E., NOCO Engineering, prepared the Loan Feasibility Study titled “*Emergency Loan Application and Feasibility Study*,” dated October 2013. The study includes an alternative analysis and preliminary engineering design and cost estimates. The study was prepared in accordance with the CWCB guidelines.

Borrower – Big Thompson and Platte River Ditch Company

The Company is nonprofit ditch company, established in 1865. It is in good standing with the Colorado Secretary of State. The Company has 25 shareholders that own 119.6 shares of stock. The Company’s income comes from assessment revenues.

The Company’s by-laws state that the board has the power to set annual share assessments on behalf of its shareholders and the power to curtail ditch deliveries on unpaid assessments.

Water Rights

The water rights impacted by this project include

TABLE 1: IMPACTED WATER RIGHTS

Name	Amount	Appropriation Date	Adjudication Date
BTPR Ditch Co.	35 cfs	11/18/1865	5/28/1883
BTPR Ditch Co	60 cfs	5/15/1876	5/28/1883

Average annual yield of these water rights is 9,736 AF.

Project Description

The goal of this project is to repair/replace the damaged structures and increase system capacity with the new structures.

Alternative 1 – Do Nothing: This alternative is considered unacceptable. Without the structures, the Company is unable to deliver irrigation water to over 3,000 acres.

Alternative 2 – Rebuilding Collaboratively with Improvements: The Company operates collaboratively with the Bee Line Ditch in carrying Bee Line water to farms. Failing to rebuild would cause the abandonment of both the Company’s water rights as well as the Bee Line water rights and would be a financial disaster to farmers under both ditches.

Selected Alternative 3 – Replace Diversion Structure and Crossing Structures: The Company’s diversion structure and by-pass structure will be repaired and its crossing over the Little Thompson River will be replaced. The crossing structure was a bottleneck at times of free river, so the structure will be improved to allow for additional flows.

Due to the agricultural exemption, this alternative is believed to be exempt from the Clean Water Act and therefore a U.S. Army Corps of Engineers permit will not be required. The estimated

engineering and construction cost of this Alternative is \$800,000 and is further broken down as follows:

TABLE 2: PROJECT COST SUMMARY

Task	Cost
Design	\$40,000
Permitting	\$0
Construction	\$640,000
Contingency	\$120,000
Total	\$800,000

Collaboration: 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.

Schedule: Project construction is expected to begin in January of 2014 with completion by May of 2014.

Financial Analysis

Table 3 provides a summary of the Project's financial aspects. The first three years of the loan will be assessed a 0% interest rate. The remaining term of the loan will be assessed a blended interest rate of 1.85% with the principal amortized over 27-years (Ownership: 98% Agricultural and 2% Commercial). Staff is recommending an exemption to Financial Policy #11 to allow for 100% funding of eligible Project costs.

TABLE 3: FINANCIAL SUMMARY

Total Project Cost	\$800,000
CWCB Loan Amount (100% of total Project cost)	\$800,000
CWCB Loan Amount (Including 1% Service Fee)	\$808,000
CWCB Annual Loan Payment	\$38,290
CWCB Loan Obligation (Including 10% Reserve)	\$42,120
Number of Shares	119.60
Annual Cost Per Share for Loan (Including 10% Reserve)	\$352
Current Assessment per Share	\$185
Future Assessment per Share	\$572

Creditworthiness: The Company has \$9,267 in existing debt with Kielian Construction Company. There is one annual payment remaining (due June 21, 2014). This debt is unsecured.

TABLE 4: FINANCIAL RATIOS

Financial Ratio	Past 2 Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	111% (Average) \$51K/\$46K	100%* (Weak/Average) \$68K/\$68K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	150% (Strong) \$51K-36K \$10K	76% (Weak) \$68K - \$36K \$42K
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	2% (Weak) \$1K/\$46K	1% (Weak) \$1K/\$68K
Annual Operating Cost per Acre-Foot (9,736 AF) weak: >\$20 - average: \$10 - \$20 - strong: <\$10	\$4.72 (Strong) \$46K/9,736 AF	\$6.98 (Strong) \$68K/9,736 AF

*Assumes a new assessment of \$572/share.

Collateral: As security for the loan, the Company will pledge its assessment revenues backed by a rate covenant and the Project itself (the Big Thompson and Platte River Ditch Company diversion dam). This is in compliance with the CWCB Financial Policy #5 (Collateral).

cc: Gene Kammerzell, President, Big Thompson and Platte River Ditch Company
 Susan Schneider/Jennifer Mele, Colorado's Attorney General Office

Attachment: Water Project Loan Program – Project Data Sheet

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

C150373

Borrower: Big Thompson & Platte River
Ditch Company

County: Larimer

Project Name: Big Thompson & Platte
River Diversion Structure Repair

Project Type: Diversion Rehabilitation

Drainage Basin/ District: South Platte / 4

Water Source: Big Thompson River

Total Project Cost: \$800,000

Funding Source: Severance Tax PBF

Type of Borrower: Blended

Average Annual Diversion: 9,736 AF

CWCB Loan: \$808,000
(with 1% service fee)

Interest Rate: 1.85% **Term:** 30-years
(97% Ag, 3% Comm)

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