

STATE OF COLORADO

Colorado Water Conservation Board

Department of Natural Resources

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TO: Colorado Water Conservation Board

FROM: Tim Feehan, Deputy Director, Resource Management
Tom Browning, Deputy Director, Water Resources

DATE: November 8, 2013

SUBJECT: Agenda Item 29c, November 19-20, 2013 Board Meeting
2014 Projects Bill Discussion Item
Chatfield Reallocation Project Funding

John W. Hickenlooper
Governor

Mike King
DNR Executive Director

James Eklund
CWCB Director

Introduction

The CWCB has received preliminary requests for loan and grant funding for the Implementation Phase of the Chatfield Reallocation Project (Project). The requests could total as much as \$88 million in new CWCB loans and \$4.5 million in grants. At this time, the CWCB does not have sufficient funding to fully cover the requested loan and grant amounts and still meet the emergency loan funding needs associated with the September 2013 flood event.

At its September 2013 meeting, the Finance Committee made a favorable recommendation to fund the Project at a 75 percent funding level for consideration and potential approval at the November 2013 regular Board meeting. In addition, the Finance Committee made a favorable recommendation for a \$4,487,700 grant to the Central Water Conservancy District (District) for consideration and potential approval at its November 2013 regular Board meeting. The grant approval is contingent upon the District purchasing Aurora's and Western Mutual's storage allocation in the Project from CWCB. Reducing the overall requested funding level for the Project to 75 percent allowed the Board to dedicate \$40 million in emergency loan funds towards the September 2013 flood event.

Also discussed at the September 2013 Finance Committee meeting and approved at the October 2013 Special Board Meeting was an increase in the funding level of the Project if the CWCB should receive additional funding. Given the timing of the Projects Bill relative to when additional funding may become available, it is recommended that the Board request the full funding authorization of the Project in the Bill (\$88 million), with the ability to appropriate between 75% and 100% of full loan request through its normal statutory loan approval process, based on available funding.

Recommendation

Staff recommends that the Board include in the 2014 Projects Bill a request for the General Assembly to authorize \$88,000,000 for the Chatfield Reallocation Project.

Background

The Chatfield Reallocation Project involves a partnership with the U. S. Army Corps of Engineers (Corps) and local water providers to reallocate of up to 20,600 acre-feet of existing flood storage to new water supply storage space in Chatfield Reservoir. The Partners investigated several alternatives and their associated impacts. The Corps has determined that 20,600 AF of flood control space can be converted to multi-use water storage space with no reduction in downstream flood control benefits. The Final Feasibility Report and Environmental Impact Study (FR/EIS) for the Project is complete, and the final comment period is closed. The FR/EIS package has been sent to Washington, D.C. for review by Headquarters and the Assistant Secretary of the Army. A Record of Decision on the Project is anticipated in early 2014.

The current water providers involved in the FR/EIS include the Central Colorado Water Conservancy District, South Metro Water Supply Authority, Centennial W&S District, Town of Castle Rock, Castle Pines Metro District, Castle Pines North Metro District, Center of Colorado WCD, Mt. Carbon Metro District, and Denver Botanic Gardens.

Proposed Project Bill Language

The following language could be considered for the 2014 Project Bill as it relates to this Project.

SECTION X. Project Authorization. (1) Pursuant to section 37-60-122(1)(b), C.R.S. (2013), the Colorado Water Conservation Board is hereby authorized to loan moneys to enable the construction of the Chatfield Reallocation Project - \$88 million.

A breakdown of the individual water provider's loan needs is estimated at:

Borrower	Est. Loan (\$ Millions)
1) Centennial Water & Sanitation District	\$45.0
2) Central Colorado Water Conservancy District	\$28.0
3) Castle Pines Metropolitan District	\$5.0
4) Castle Pines North Metropolitan District	\$5.8
5) Center of Colorado Water Conservancy District	\$0.6
6) Mount Carbon Water & Sewer District	\$2.5
Total	\$88.0

Over the past 4 months, staff has been working with the Central Colorado Water Conservancy District (District) to develop a number of potential funding packages. Given that the District is a downstream agricultural user and that it holds the most senior conditional storage right of all of the Project participants (23,000 AF), negotiations were focused around the benefits of expanding the District's involvement in the Project. Having the District purchase additional storage would not only reduce the State's financial commitment to the Project, but it could potentially assist in improving stream flows downstream of the reservoir and enhancing agricultural production.

The following is a brief summary of the different funding packages discussed:

- The District purchases Western Mutual's storage allocation of 1,425 AF at an estimated cost of \$9,975,000 (\$7,000/AF). The CWCB provides the District with a 20% grant (\$1,995,000) and finances the remaining balance of \$7,980,000 at 1.75% for 30 years.
- The District purchases Aurora's storage allocation of 3,561 AF at an estimated cost of \$24,927,000 (\$7,000/AF) plus an interest charge of 1.75%. The District would agree to purchase a fixed storage amount annually over a 30-year period, with the right to terminate the contract on any given year. Upon termination, the District would retain what they purchased to date and the State would retain the remaining unpaid storage balance. The CWCB provides the District with a 10% grant (\$2,492,700).
- The District purchases its own storage allocation of 2,849 AF and Western Mutual's allocation of 1,425 AF at a total estimated cost of \$29,918,000. The CWCB provides the District with a 20% grant for the Western Mutual portion only (\$1,995,000) and finances the remaining balance of \$27,923,000 at 1.75% for 30 years. This funding alternative is the District's \$28 million loan request presented in the Table above.

If the District were to choose to purchase Aurora's and Western Mutual's storage allocation in the Project per the financial packages described above, the CWCB would be committing \$4,487,700 in grant funding. Please note that the estimated cost of \$7,000/AF to acquire the storage is only an estimate and is subject to change based on the final cost allocation by the Corps. Additionally, the \$7,000/AF does not include future operation and maintenance costs.