

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



November 21, 2013

Butte Irrigating and Milling Company
Attn: John Ellis, President
3889 N. 75th Street
Boulder, CO 80301

John W. Hickenlooper
Governor

Mike King
DNR Executive Director

James Eklund
CWCB Director

Re: Emergency Berm Repair
Contract Number C150382

Mr. Ellis:

I am pleased to inform you that on November 20th, 2013, the Colorado Water Conservation Board approved your loan request for the Emergency Berm Repair as described in the application and approved Loan Feasibility Study titled "*Emergency Loan Application and Feasibility Study*", dated October 31st, 2013. The Board approved a loan not to exceed \$277,750 (\$275,000 for project costs and \$2,750 for the 1% Loan Service Fee). The loan terms shall be three years of no interest followed by 27 years at a blended interest rate of 2.30% per annum.

I have attached a copy of the updated Board memo dated November 21st, 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 Company may request loan funds to cover eligible project expenses. You can reach Peg at (303) 866-3441 x3227.
- B) Design/Construction: You must adhere to the CWCB Design and Construction Administration Procedures. Mike Serlet, P.E. will contact you for this phase of the process and will work with you on the disbursements of your loan funds. You can reach Mike at (303) 656-3720.

Collaboration: The Borrower is encouraged to consider rebuilding a river diversion system which improves the consumptive and nonconsumptive uses of 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 diversions until such time that a multi-beneficial structure can be designed and constructed.

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

Sincerely,



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

Attachment: Updated Board Memo

E-mail Copy (Including Attachments)

Diane Hoppe, CWCB Board Member – South Platte River Basin
CWCB Finance Section Staff

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TO: Colorado Water Conservation Board Members

FROM: Jonathan Hernandez, P.E., Project Manager
Kirk Russell, P.E., Chief
Finance and Administration Section

DATE: November 13, 2013 (Updated November 21, 2013)

SUBJECT: **Agenda Item 31e, November 19-20, 2013 Board Meeting**
Finance – Emergency Loans
Butte Irrigating and Milling Company – Emergency Berm Repair

Introduction

The Butte Irrigating and Milling Company (Company) is applying for an Emergency Loan for the Emergency Berm 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. Portions of the ditch were silted in and the flood eventually breached a berm upstream of the Company's diversion point, causing the post-flood river to bypass the diversion structure. The purpose of the Project is to clean out the ditch channel and repair the berm in order to allow the Company to divert its decreed water rights. The total Project cost is estimated to be \$275,000. See attached Project Data Sheet for a location map and project summary.

Staff Recommendation (Board approved staff recommendation on November 20, 2013)

Staff recommends the Board approve a loan not to exceed \$277,750 (\$275,000 for Project cost and \$2,750 for the 1% service fee) to the Butte Irrigating and Milling Company for 100% of engineering and construction costs related to the Emergency Berm Repair Project from the Severance Tax Perpetual Base Fund, up to the approved loan amount. The loan terms shall be 3 years of no interest followed by 27 years at a blended interest rate of 2.30% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Additionally, staff 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) days after receipt of said funds.

Background

The Company serves approximately 1,700 irrigated acres in Boulder. Its Butte Mill Ditch diverts from South Boulder Creek between Valmont Road and the confluence with Boulder Creek. 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, including the Butte Mill Ditch.

The Butte Mill Ditch was appropriated in 1865 and currently serves 35 shareholders. In addition to irrigation water for farms and ranches, the water is also used to irrigate City of Boulder's Open Space and Mountain Parks.

During the 2013 flood, South Boulder Creek breached a berm approximately 100 feet in length, causing the stream to entirely by-pass the Company's Butte Mill Ditch diversion structure. The new alignment flows into a nearby pond (old gravel pit) and meadow before discharging into Boulder Creek. The approximately 1/3 mile pre-flood channel from the breach down to the pre-flood confluence no longer receives water. The pre-flood channel is well established with a low flow channel and healthy canopy.

Loan Feasibility Study

John Ellis, President of The Butte Irrigating and Milling Company, with assistance from Olsson Associates, prepared the Loan Feasibility Study titled "*Emergency Loan Application and Feasibility Study*," dated October 31, 2013. The study includes an alternative analysis and preliminary engineering cost estimates. The study was prepared in accordance with the CWCB guidelines.

Borrower – The Butte Irrigating and Milling Company

The Company is a mutual ditch company that incorporated in 1880. The Company's office is located in Boulder. It operates as a nonprofit corporation and is in good standing with the Colorado Secretary of State. The Company has issued 42 shares of stock. The Company's revenues are primarily derived from assessments charged on shares of stock owned by the stockholders.

The Company's by-laws (2009) authorize the Board of Directors to manage the business and affairs of the Company and to authorize assessment or other funding for repairs, alterations, or additions to the ditch system. The Board has the authority to take measures to enforce assessments, including the suspension of water deliveries and the eventual sale of delinquent shares.

Water Rights

The water right(s) impacted by this project include:

TABLE 1: IMPACTED WATER RIGHTS

Name	Amount	Appropriation Date	Adjudication Date
Butte Mill Ditch	110.86	3/1/1865	6/2/1882

Average annual diversions of the Company are 1,177 AF.

Project Description

The goal of this project is to restore the operation of the Butte Mill Ditch to allow the Company to divert its decreed water rights.

Alternative 1 – Do Nothing: This alternative is considered unacceptable. Post-flood, the Company's point of diversion receives no water and South Boulder Creek is destructively flowing through

private land. This alternative would prevent the Company from diverting its water rights, leading to possible abandonment of the water rights and ditch.

Selected Alternative 2 – Rebuilding Collaboratively with Improvements: The Stream Task Force visited this site on October 23 and recommended the stream be relocated into its pre-flood channel. The Stream Task Force also suggested rebuilding the berm with a spillway feature and additional reinforcement such as a rubber liner. These improvements are anticipated to be included in the final design. On the Butte Mill Ditch, repair to the ditch including the cleaning of the ditch where significant silt and debris were deposited by the flood will be completed as well.

The projected cost is estimated at \$275,000. The Company has applied for a CWCB/Northern WSRA grant and will use any grant funds received to reduce this loan's principal. The estimated engineering and construction cost of Alternative 2 is broken down in Table 2.

TABLE 2: PROJECT COST SUMMARY

Task	Cost
Engineering	\$25,000
Permitting	\$25,000
Construction	\$200,000
Subtotal	\$250,000
Contingency (10%)	\$25,000
Total	\$275,000

Collaboration: The borrower is encouraged to consider rebuilding a river diversion system that enhances consumptive and non-consumptive 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: Construction is expected to begin in December 2013 and be completed by April 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 2.30% with the principal amortized over 27 years (Ownership: 48% Agriculture, 51% Mid Municipal, 1% Commercial). Staff is recommending an exemption to Financial Policy #11 to allow for up to 100% funding of eligible Project cost.

TABLE 3: FINANCIAL SUMMARY

Total Project Cost	\$275,000
CWCB Loan Amount	\$275,000
CWCB Loan Amount (Including 1% Service Fee)	\$277,750
CWCB Annual Loan Payment	\$13,924
CWCB Loan Obligation (Including 10% Reserve)	\$15,316
Number of Shares	42
Annual Cost Per Share for Loan	\$365
Current Assessment per Share	\$140
Future Assessment per Share	\$505

Creditworthiness: The Company has no existing debt.

TABLE 4: FINANCIAL RATIOS

Financial Ratio	Past 2 Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	128% (Strong) \$7.8K/\$6.1K	108% (Average) \$23.1K/\$21.4K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	No Existing Debt	111% (Average) \$23.1K-\$6.1K \$15.3K
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	213% (Strong) \$13K/\$6.1K	61% (Average) \$13K/\$21.4K
Annual Operating Cost per Acre-Foot (1,177 AF) weak: >\$20 - average: \$10 - \$20 - strong: <\$10	\$5 (Strong) \$6.1K/1,177 AF	\$18 (Average) \$21.4K/1,177AF

Collateral: As security for the loan, the Company will pledge its assessment revenues backed by a rate covenant and the Butte Mill Ditch diversion structure and headgate. This is in compliance with the CWCB Financial Policy #5 (Collateral).

cc: John Ellis, President, Butte Irrigating and Milling 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**

C150382

Borrower: Butte Irrigating & Milling Company	County: Boulder
Project Name: Emergency Berm Repair	Project Type: Ditch Rehabilitation
Drainage Basin/ District: South Platte / 6	Water Source: Boulder Creek
Total Project Cost: \$275,000	Funding Source: Severance Tax PBF
Type of Borrower: Blended	Average Annual Diversion: 1,177 AF
CWCB Loan: \$277,750 (with 1% service fee)	Interest Rate: 2.30% Term: 30-years (48% Ag, 51% Mid-Muni, 1% Commercial)

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 including the Company's Butte Mill Ditch. Portions of the ditch were silted in and the flood eventually breached a berm upstream of the Company's diversion point, causing the post-flood river to bypass the diversion structure. The purpose of the Project is to repair this berm and clean out the ditch channel to allow the Company to divert its decreed water rights.

