

STATE OF COLORADO

Colorado Water Conservation Board Department of Natural Resources

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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: March 7, 2014

SUBJECT: **Agenda Item 32a, March 18-19, 2014 Board Meeting**
Finance – Change to Existing Loan
Boulder and Left Hand Irrigation Company – Tracy Lateral Pipeline at the
Wederquist “Y” Project

John W. Hickenlooper
Governor

Mike King
DNR Executive Director

James Eklund
CWCB Director

Introduction

The Boulder and Left Hand Irrigation Company (Company) received approval of a \$157,500 CWCB loan (Contract C150357) to finance the Tracy Lateral Pipeline at the Wederquist “Y” Project (Project) in July 2013. The purpose of the Project is to improve the hydraulic efficiency of the ditch while reducing the Company’s operation and maintenance cost. In response to the bids received, the Company is requesting a loan increase of \$42,500 as the total cost of the Project has increased from \$175,000 to \$223,500. See attached Project Data Sheet for a location map and project summary.

Staff Recommendation

Staff recommends the Board approve a loan increase of \$42,925 (\$42,500 for project costs and \$425 for the 1% Loan Service Fee) for a total loan not to exceed \$202,000 (\$200,000 for project cost and \$2,000 for the 1% Loan Service Fee) to the Boulder and Left Hand Irrigation Company for engineering and construction costs related to the Tracy Lateral Pipeline at the Wederquist “Y” Project from the Construction Fund. The loan terms shall remain 30 years at the blended interest rate of 2.35% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Background

The Company's service area includes approximately 2,000 acres of farm land extending from the Boulder city limits northeasterly approximately 14 miles to Dry Creek near U.S. Highway 287, south of Longmont. The Company is made up of 136 shares that are held by 38 shareholders, of which 52% are agricultural owners and 48% are High Income Municipal owners. Agricultural use includes the irrigation of corn, alfalfa, small grains, pinto beans, beets, and pasture grasses. The City and County of Boulder is the primary municipal shareholder.

The Wederquist "Y" is located in the town of Niwot in Boulder County. The Boulder and Left Hand Ditch meanders several times on the east side of 79th Street before it bifurcates at a check/drop structure known as the Wederquist "Y" diversion. Approximately 60% of the ditch flow continues east past the "Y" and 40% is diverted into the Tracy Lateral where it meanders back to the north and west towards the 79th Street crossing.

Project Update

The Company anticipated bids could be higher than the original estimate in the feasibility report due to a design change of the manholes that occurred in final design. The Company opened bids for the Project on February 6, 2014. Defalco Construction was the selected contractor and the low-bidder with a bid of \$188,500 bringing the total Project cost to \$223,500 (See Table 1). The Company wishes to increase the approved loan by 27% to \$200,000 to cover 90% of the Project cost. The Company will provide its required 10% match and any unforeseen additional cost through special assessments.

TABLE 1: UPDATED PROJECT COST SUMMARY

Task	Original Project Cost	Updated Project Cost
Engineering (Design Engineering, Project Planning, Right-of-way)	\$35,000	\$35,000
Construction	\$112,150	\$188,500
Construction Contingency (15%)	\$27,850	-
Total	\$175,000	\$223,500

Schedule: Final design is complete and the contractor has been selected. Construction is expected to start March 2014 with construction completed by May 2014.

Borrower - Boulder and Left Hand Irrigation Company

The Company is a Colorado Mutual Ditch Company and Non-Profit Corporation. The Company acquired the Boulder and Left Hand Ditch Company in March 1921. The Boulder and Left Hand Ditch Company had been operating the ditch system since approximately 1873. Income primarily comes from stock assessment fees and service fees.

Financial Analysis

Table 2 provides a summary of the Project's financial aspects. The term of the loan will be 30 years and the blended interest rate will be 2.35% (52% of shareholders are agricultural at a rate of 1.75% and 48% of shareholders are high income municipal at a rate of 3.00%).

TABLE 2: FINANCIAL SUMMARY

	Original Approval	New Request
Total Project Cost	\$175,000	\$223,500
Borrower Match	\$17,500	\$23,500
CWCB Loan Amount	\$157,500	\$200,000
CWCB Loan Amount (Including 1% Service Fee)	\$159,075	\$202,000
CWCB Annual Loan Payment	\$7,449	\$9,459
CWCB Loan Obligation (Including 10% Reserve)	\$8,194	\$10,405
Project Cost per Acre Foot (~1200 AF Through Lateral)	\$145/AF	\$186/AF
Number of Shares	136	136
Number of Shareholders	38	38
Current Assessment	\$493/share	\$493/share
Special Assessment for New Loan Borrower Match	\$128/share	\$173/share
Future Annual Debt Assessment for New Loan Debt Service	\$61/share	\$77/share

Creditworthiness: The Company has \$54,121 in existing debt made up of one existing CWCB loan (C150009). This loan financed the Company's Twin Lakes Outlet Repair project and has an annual payment of \$7,196. This loan will be paid off in 2021 and is in good standing.

TABLE 3: FINANCIAL RATIOS

Financial Ratio	Past 3 Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	103% (Average) \$90.3K/\$87.3K	103% (Average) \$100.8K/\$97.7K
Debt Service Coverage Ratio (revenues- expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	142% (Strong) (\$90.3K-\$80.1K) \$7.2K	118% (Average) (\$100.8K-\$80.1K) \$17.6K
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	33% (Weak) \$28.7K/\$87.3K	29% (Weak) \$28.7K/97.7K
Annual Operating Cost per Acre-Foot (2,869 AF) weak: >\$20 - average: \$10 - \$20 - strong: <\$10	\$30 (weak) \$87.3K/2.9K AF	\$34 (weak) \$97.7K/2.9K AF

Collateral: Security for the loan will remain a pledge of assessment revenues backed by rate covenant and the Project itself (installed structure and pipeline). This is in compliance with the CWCB Financial Policy #5 (Collateral).

cc: John Brunner, President, Boulder and Left Hand Irrigation Company
 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**

C150357

Borrower: Boulder and Left Hand Irrigation Company

County: Boulder

Project Name: Tracy Lateral Pipeline at the Wederquist "Y"

Project Type: Ditch Rehabilitation

Drainage Basin/ District: South Platte / 6

Water Source: Boulder Creek

Total Project Cost: \$223,500

Funding Source: Construction Fund

Type of Borrower: Municipal/Agricultural

Average Annual Diversion: 2,869

CWCB Loan: \$202,000 (with 1% service fee)

Interest Rate: 2.35% **Term:** 30-years
(Blended)

The Boulder and Left Hand Irrigation Company is a Mutual Ditch Company and Non-Profit Corporation. The Irrigation Company acquired Boulder and Left Hand Ditch Company in 1921, which had operated the ditch system since 1873. The Irrigation Company serves approximately 2,000 acres of farm land between Boulder, CO and Longmont, CO. The Tracy Lateral Pipeline at the Wederquist "Y" project will improve the hydraulic efficiency of the Tracy Lateral while reducing the operational and maintenance cost of the Irrigation Company by replacing a 1500 ft problem section of the Tracy Lateral with a pipeline. Construction is expected to commence in the spring of 2014.

