# 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 Section

DATE: May 9, 2014

SUBJECT: **Agenda Item 33a , May 21-22, 2014 Board Meeting**
**Change to Existing Loan**
**Left Hand Ditch Company – Allen Lake and Lake Isabelle Repair Project**

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**Introduction**

The Left Hand Ditch Company (Company) received approval for a loan for the Allen Lake and Lake Isabelle Repair Project (Project) (Loan Contract C150336) in July of 2012. The purpose of the Project was to make safety improvements to the dams. Due to additional outlet work repairs discovered during construction at Lake Isabelle, the Company is requesting a loan increase of $315,000 as the total Project cost has increased from $1,273,000 to $1,623,000. See the attached Project Data Sheet for a location map and Project summary.

**Staff Recommendation**

Staff recommends the Board approve a loan increase, from the Construction Fund, not to exceed $318,150 ($315,000 for Project costs and $3,150 for the 1% Loan Service Fee) for a total loan not to exceed $1,475,307 ($1,460,700 for Project cost and $14,607 for the 1% Loan Service Fee) to the Left Hand Ditch Company for the Allen Lake and Lake Isabelle Repair Project. The loan terms shall remain 30 years at a blended interest rate of 2.45% per annum. Security for the loan shall be as originally approved and is in compliance with CWCB Financial Policy #5.

## Background

The Company, located in Boulder County, provides irrigation water to a service area of approximately 15,000 acres due north of Boulder. The service area follows Left Hand Creek from the Front Range foothills east to the Town of Niwot, and spans from the northern edge of Boulder Reservoir up to Foothills Reservoir. The Company owns and maintains five reservoirs used for storage and controlled release of the Company's water rights.

Two of the reservoirs, Allen Lake and Lake Isabelle, were the subject of the original loan request. The work at Allen Lake was completed in 2013. Lake Isabelle is the subject of the request to increase the loan.

At an elevation of nearly 11,000 feet, Lake Isabelle is the highest elevation reservoir in the Left Hand Ditch system. It lies within the Indian Peaks Wilderness which is operated by the U.S. Forest Service, and it is only accessible by foot or helicopter. At full storage, the capacity of the reservoir is 550 acre-feet. A rock tunnel is used to divert water through a mountainside to an outlet structure. The outlet structure consists of a gate valve located at the bottom of a 60-foot shaft. The gate valve is used to control release rates during the irrigation season and shut off releases to refill the reservoir during winter months.

## Project Update

The Lake Isabelle outlet gate replacement was part of the original Project and was replaced in the 2013 construction season. Once the reservoir was drained for construction, the inlet structure to the outlet tunnel was inspected. The Company then discovered that additional repairs to the tunnel were necessary.

Left Hand Excavating of Frederick, Colorado performed the construction at Lake Isabelle. With assistance from Smith Geotechnical, a plan to replace the inlet tunnel with a new 24-inch pipe was designed. The cost of the inlet tunnel repairs is estimated at $350,000.

***Schedule:*** Construction on Lake Isabelle is scheduled to resume in late summer of 2014, with completion expected by fall.

## Financial Analysis

The Company qualifies for a blended (46% agricultural, 38% middle-income municipal, 16% high-income municipal) interest rate of 2.45% for a 30-year term. Table 1 provides a financial summary of the loan request.

**TABLE 1: PROJECT FINANCIAL SUMMARY**

| | Original Approval | New Request |
|---|---|---|
| Total Project Cost | $1,273,000 | $1,623,000 |
| Borrower Contribution | $127,300 | $162,300 |
| CWCB Loan Amount (90% of total Project cost) | $1,145,700 | $1,460,700 |
| CWCB Loan Amount (including 1% Service Fee) | $1,157,157 | $1,475,307 |
| CWCB Annual Loan Payment | $54,918 | $70,018 |
| CWCB Loan Obligation (including 10% debt reserve funding) | $60,410 | $77,019 |
| Number of Shareholders | 360 | 360 |
| Number of Shares | 16,800 | 16,800 |
| Current Annual Assessment (per Share) | $15.00 | $30.00 |
| Annual Cost of Project (per Share) | $3.60 | $4.58 |
| Cost of Project per AF to Preserve Storage (1,254 AF) | $1,015 | $1,294 |

***Creditworthiness***:
The Company has two loans with the CWCB as noted in Table 2 and a history of making its payments on time. The Company's share assessment history is: $15/share in 2012, $17/share in 2013, and $30/share in 2014. The increase in assessments in 2014 is enough to cover this loan increase as well as service the debt for the Company's emergency flood loan.

**TABLE 2: EXISTING DEBT**

| Loan | Maturity Date | Remaining Balance | Annual Payment | Collateral |
|---|---|---|---|---|
| CWCB – Spillway Repair – Left Hand Valley Reservoir (C153804) | 2029 | $384,027 | $33,875 | Pledge of assessment revenues and Left Hand Valley Dam and Reservoir |
| CWCB – Emergency Left Hand Ditch System Repairs (C150370) | 2044 | $3,276,056[(1)] | $164,234 | Pledge of assessment revenues and Left Hand Valley Dam and Reservoir |
| TOTAL | | $3,660,083 | $198,109 | |

(1) Approved loan amount. Final loan amount could vary upon supstantial completion of the project.

**TABLE 3: FINANCIAL RATIOS**

| Financial Ratio | 2010-2011 (2) | Future w/ Project |
|---|---|---|
| Operating Ratio (operating revenues/operating expenses)<br>weak: <100% - average: 100% - 120% - strong: >120% | 114%<br>(average)<br>$304K/$266K | 105%<br>(average)<br>$583K/$557K |
| Debt Service Coverage Ratio<br>(total eligible revenues-operating expenses)/total debt service<br>weak: <100% - average: 100% - 120% - strong: >120% | 212%<br>(strong)<br>($304K-$232K)/$34K | 110%<br>(average)<br>($583K-$289K)/$268K |
| Cash Reserves to Current Expenses<br>weak: <50% - average: 50% - 100% - strong: >100% | 204%<br>(strong)<br>$541K/$266K | 57%<br>(weak)<br>$318K/$557K |
| Annual Operating Cost per Acre-Foot (based on 22,700 AF)<br>weak: >$20 - average: $10 - $20 - strong: <$10 | $12<br>(average)<br>$266K/22,700 | $25<br>(weak)<br>$557K/22,700 |

(2) As calculated in review of original loan request.

***Collateral***: The security for the loan will remain a pledge assessment revenues backed by a rate covenant. This is in compliance with the CWCB Financial Policy #5 (Collateral).

cc: Terry Plummer, Vice President of Maintenance and Operations, Left Hand Ditch Company
Susan Schneider/Jennifer Mele, Colorado Attorney General's Office

Attachment: Water Project Loan Program – Project Data Sheet

C150336

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

**Borrower:** Left Hand Ditch Company

**County**: Boulder

**Project Name:** Allen Lake and Lake Isabelle Repair Project

**Project Type:** Dam Rehabilitation

**Drainage Basin/District:** South Platte/ 5

**Water Source:** Left Hand and St. Vrain Creek

**Total Project Cost:** $1,623,000

**Funding Source:** Construction Fund

**Type of Borrower:** Blended
(46% ag, 38% mid-muni, 16% high-muni)

**Avg. Annual Diversion:** 22,700 AF

**CWCB Loan:** $1,475,307 (with 1% loan fee)
(Original loan: $1,157,157 increased by $318,150)

**Interest Rate:** 2.45% (Blended)

**Term:** 30 years

The Company, located in Boulder County, provides irrigation water to a service area of approximately 15,000 acres due north of Boulder. It received approval for a loan for the Allen Lake and Lake Isabelle Repair Project in July of 2012. The purpose of the Project was to make safety improvements to b dams. Due to additional outlet work repairs discovered during construction at Lake Isabelle, the Company is requesting a loan increase because the total cost of the Project has increased from $1,273,000 to $1,623,000. Lake Isabelle lies within the Indian Peaks Wilderness which is operated by the U.S. Forest Service, and it is only accessible by foot or helicopter. At full storage the capacity of the reservoir is 550 acre-feet. A rock tunnel is used to divert water through a mountainside to an outlet structure. The outlet gate was replaced as part of the Project in the 2013 construction season. Once the reservoir was drained for the outlet gate work, the inlet structure to the outlet tunnel was inspected. The Company then discovered that additional repairs were necessary. Construction is scheduled for late summer 2014.