

# 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



---

John W. Hickenlooper  
Governor

Mike King  
DNR Executive Director

James Eklund  
CWCB Director

TO: Colorado Water Conservation Board Members

FROM: Anna Mauss, P.E., Project Manager  
Kirk Russell, P.E., Chief  
Finance Section

DATE: May 9, 2014 (**Updated May 20, 2014**)

SUBJECT: **Agenda Item 35a, May 21-22, 2014 Board Meeting**  
**Emergency Loans**  
**Sylvan Dale Ranch LLLP– Emergency Irrigation Pond Excavation**

---

### Introduction

The Sylvan Dale Ranch, LLLP (Ranch) is applying for an Emergency Loan for the Emergency Irrigation Pond Excavation (Project). During the unprecedented flood of September 2013 in the tributaries to the South Platte River, a large amount of silt and debris was deposited along the river corridor. The purpose of this Project is to excavate the irrigation ponds that were silted in during the flood and restore them to their former use. The total Project cost is estimated to be **\$104,130**. The Ranch is requesting a loan to cover 100% of the Project costs. See attached Project Data Sheet for a location map and Project summary.

### Staff Recommendation

Staff recommends the Board approve a loan not to exceed **\$105,171** (**\$104,130** for Project cost and **\$1,041** for the 1% service fee) to the Sylvan Dale Ranch, LLLP for the engineering and construction costs related to the Emergency Irrigation Pond Excavation 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 the agricultural interest rate of 1.75% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Staff additionally recommends the following contract conditions:

Any future grant funds obtained and 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 Ranch has been owned and operated by the Jessup family since 1946 as both a guest ranch and a working ranch encompassing 3,200 acres in the foothills at the mouth of the Big Thompson Canyon, seven miles west of Loveland. There are 160 irrigated acres of alfalfa-hay pastures. Hay is harvested off these pastures in June. During the rest of the year, the pastures are grazed by the Ranch's grass-fed cattle herd. Beef produced is sold directly to local customers.

The Ranch owns two adjoining ponds next to the Big Thompson River, downstream from Riverview Campground in Loveland. The ponds, which were silted in during the flood, are fed by springs and drain into the river just above the George Rist Ditch diversion. The Ranch pumps water out of the ponds to irrigate pastures located immediately south of the ponds. Between 142 and 190 acre-feet (AF) are used per season, using two center pivots.

## **Loan Feasibility Study**

David Jessup, General Partner of the Ranch, prepared the Loan Feasibility Study, titled "*Emergency Loan Application and Feasibility Study*," dated December 2013. The study includes an alternative analysis, cost estimates, and three years of financial statements. In addition, permitting was evaluated by Grand Environmental Services. The study was prepared in accordance with the CWCB guidelines.

## **Borrower – Sylvan Dale Ranch, LLLP**

The Ranch is a family owned, limited liability limited partnership (LLLP) registered in the state of Colorado since 1983 and is in good standing with the Secretary of State. There are two General Partners, David Jessup and Susan Jessup, and eight Limited Partners. This is a closely held corporation so the CWCB requires hard collateral equal to or greater than 110% of the loan amount.

Ranch revenues are generated from guest ranch operations, hay production, and beef and cattle sales.

## **Water Rights**

On average, the Ranch diverts 166 AF annually. It owns 2.5 shares of the Handy Ditch. The Ranch also has the contractual right to use 259 Colorado-Big Thompson (C-BT) units. As irrigation water is pumped out of its ponds, an equivalent amount of replacement water is simultaneously released into the river from the C-BT allotment at the flume from the Hansen Feeder Canal, two miles upstream from the ponds.

Upon initial review of the Ranch's loan application, it was discovered that the Ranch did not have decreed storage rights for the ponds. Since that discovery, the Ranch applied for a substitute water supply plan (SWSP) to replace evaporation losses from the ponds. The SWSP is pending approval. The Ranch also filed an application to Water Court for a surface water right and permanent plan for augmentation. Staff anticipates the Ranch will be successful with both its SWSP and application to Water Court.

## **Project Description**

The goal of this Project is to dredge the silt deposited during the flood from the ponds so irrigation can resume.

**Alternative 1 – No Action:** This alternative is considered unacceptable as without the ponds, there is no means to irrigate the hay pastures.

**Selected Alternative 2 – Excavating Silt from the Ponds:** The total acreage of the two ponds is 2.64 acres. There is an estimated 17,900 cubic yards of silt in the ponds. The silt will be disposed of onsite into another pond that is not used for irrigation and was not damaged by the flood.

The Project cost estimate of \$84,130 was established by contractor bids and a U.S. Department of Agriculture - Farm Service Agency (FSA) estimate. **Upon the start of construction it was discovered that additional excavation was necessary to get to a foundation that could hold the construction equipment. This unexpected site condition added \$20,000 to the cost, so the updated Project cost estimate is \$104,130.**

**Schedule:** Construction began in April 2014 and is expected to be complete by the end of May 2014.

### Financial Analysis

Table 1 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 at the agricultural interest rate of 1.75% amortized over 27 years. Staff is recommending an exemption to Financial Policy #11 to allow for 100% funding of eligible Project costs.

The Ranch is in the process of executing a cost-share agreement with the FSA and will be reimbursed for 75% of the material removal cost upon Project completion. These funds will be applied to the CWCB loan within thirty calendar days of receipt per a loan contract requirement.

**TABLE 1: FINANCIAL SUMMARY**

Total Project Cost	<b>\$104,130</b>
CWCB Loan Amount	<b>\$104,130</b>
CWCB Loan Amount (Including 1% Service Fee)	<b>\$105,171</b>
CWCB Annual Loan Payment	<b>\$4,921</b>
CWCB Loan Obligation (Including 10% Reserve)	<b>\$5,413</b>

**Creditworthiness:** The Ranch has two existing loans:

**TABLE 2: EXISTING DEBT**

Lender	Current Balance	Annual Payment	Maturity Date	Collateral
American Ag Credit	\$306,738	\$33,116	3/1/2027	Land & C-BT units
American Ag Credit	\$257,891	\$25,971	7/1/2028	Land & C-BT units
<b>TOTAL</b>	<b>\$564,629</b>	<b>\$59,087</b>		

As a result of the flood, both loans were refinanced by American Ag Credit to allow an 18-month moratorium on loan payments. Payments will resume in 2015.

**TABLE 3: FINANCIAL RATIOS**

Financial Ratio	Past 3 Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	105% (Average) \$2.3M/\$2.2M	105% (Average) \$2.3M/\$2.2M
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	313% (Strong) <u>\$2.3M - \$2.1M</u> \$64K	<b>310%</b> (Strong) <u>\$2.3M - \$2.1M</u> <b>\$64.5K<sup>(1)</sup></b>
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	23% (Weak) \$500K <sup>(2)</sup> /\$2.2M	11% (Weak) \$250K <sup>(2)</sup> /\$2.2M
Annual Operating Cost per Acre-Foot (166 AF) weak: >\$20 - average: \$10 - \$20 - strong: <\$10	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>

*Notes:* (1) Existing debt service was refinanced through American Ag Credit after the flood. Future payments were reduced to \$59,000 annually. (2) While the Ranch has cash reserves, these will be drawn down with other flood recovery efforts at the Guest Ranch. The “Future w/ Project” cash reserves is an estimate. (3) Annual operating cost includes all Ranch operations including dude ranch, lodging, and special event expenses. The intended use for this ratio was for agricultural operations only, so the cost per acre-foot does not necessarily apply here.

**Collateral:** As security for the loan, the Ranch will pledge C-BT units valued at minimum of 110% of the loan amount. This is in compliance with the CWCB Financial Policy #5 (Collateral).

cc: David Jessup, General Partner, Sylvan Dale Ranch, LLLP  
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**

**C150392**

**Borrower:** Sylvan Dale Ranch, LLLP

**County:** Larimer

**Project Name:** Emergency Irrigation Pond  
Excavation

**Project Type:** Reservoir Rehabilitation

**Drainage Basin/ District:** South Platte / 4

**Water Source:** Big Thompson River

**Total Project Cost:** \$104,130

**Funding Source:** Severance Tax PBF

**Type of Borrower:** Agricultural

**Average Annual Diversion:** 166 AF

**CWCB Loan:** \$105,171  
(with 1% service fee)

**Interest Rate:** 1.75% **Term:** 30 years

The Ranch has been owned and operated by the Jessup family since 1946 as both a guest ranch and a working ranch encompassing 3,200 acres in the foothills at the mouth of the Big Thompson Canyon, seven miles west of Loveland. There are 160 irrigated acres of alfalfa-hay pastures. Hay is harvested off these pastures in June and, during the rest of the year, the pastures are grazed by the Ranch's grass-fed cattle herd. The Ranch owns two adjoining ponds next to Big Thompson River. The ponds, which were silted in during the September 2013 flood, are fed by springs and drain into the river just above the George Rist Ditch diversion. The Ranch pumps water out of the ponds to irrigate pastures located immediately south of the ponds. Between 142 and 190 acre-feet are used per season, using two center pivots. Without these ponds, there is no means to irrigate the pastures. The purpose of this project is to excavate the silt from the ponds. Construction is scheduled for late spring 2014.

