



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., Finance Section Chief

DATE: January 26-27, 2014 Board Meeting

CONSENT AGENDA: Item 4a - Change to Existing Loans
Eckhardt Farms, Inc. - Water Rights Purchase

Introduction

Eckhardt Farms Inc. (Corporation) received approval of a \$1,336,230 CWCB loan (Contract C150338, CT2015-051) to finance a Water Rights Purchase (Project) at the September 2012 Board Meeting. The purpose of the Project was to allow the Corporation to continue farming operations, despite the loss of well water on the farms. The original loan request identified 21 shares of Western Mutual Ditch. These shares later became unavailable and the Corporation has since identified a total of 16.06 shares of Farmers Independent Ditch and 2 other shares of Western Mutual Ditch. The use of loan funds to purchase these new 18.06 shares will require a change in collateral as originally approved at the September 2012 Board Meeting. An increase to the loan amount is not being requested.

Staff Recommendation

Staff recommends the Board approve a change of collateral corresponding to the water shares to be purchased with the loan proceeds. The loan shall remain as originally approved as a loan not to exceed \$1,336,230 (\$1,323,000 for Project cost and \$13,230 for the 1% Loan Service Fee) from the Construction Fund to Eckhardt Farms, Inc. for costs related to the Water Rights Purchase. The loan terms shall remain 30 years at the agricultural interest rate of 1.75% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.



Background

The Corporation runs a farming operation in Weld County near LaSalle. The Corporation irrigates approximately 3,000 acres to grow hay, wheat, corn, sugar beets, onions, and pinto beans. Historically, the Corporation had access to well water under the Central Colorado Water Conservancy District's Well Augmentation Subdistrict. Those wells have not been able to pump since 2005. To cover this water loss, the Corporation was leasing 21 Western Mutual Ditch shares owned by the McWilliams family (McWilliams Shares). This loan was originally sought to purchase the McWilliams Shares to allow the continued agricultural use of the land.

Project Update

Right after the original loan approval, the Corporation was notified that the McWilliams shares were no longer available for sale. To replace this water, the Corporation identified the Farmers Independent and Western Mutual shares shown on Table 2 below. Based on an analysis from White Sands Water Engineers, Inc. the consumptive use (CU) on a per share basis averages 10.42 AF for Farmers Independent Ditch shares and 10.18 AF for Western Mutual Ditch shares. White Sands Water Engineers provided a valuation that used a 20% reduction in CU as a contingency and a market rate in the South Platte Basin of \$8,000 to \$12,000 per AF of CU. Both ditches can deliver to the Corporation's farm and no water right change case will be required for the Corporation's intended agricultural on-farm use.

TABLE 1: DITCH WATER RIGHTS

Name	Appropriation Date	Adjudication Date	Water Court Case No.
Farmer's Independent Ditch	11/20/1865	4/28/1883	CA6009
Hewes Cook Ditch (aka Western Mutual Ditch)	8/10/1871	4/28/1883	CA6009

TABLE 2: COST SUMMARY

Owner	Ditch	# of Shares	Purchase Cost	Appraised Value
Carlson	Western Mutual	2	\$140,000	\$130,000 - \$196,000
	Farmer's Independent	5	\$350,000	\$333,000 - \$500,000
Chacon	Farmer's Independent	2.56	\$184,875	\$171,000 - \$256,000
Fritzler	Farmer's Independent	8.5	\$680,000	\$567,000 - \$850,000
TOTAL		18.06	\$1,354,875	\$1,201,000 - \$1,802,000

Schedule: The Carlson Shares were purchased in December 2012 and January 2013. The Chacon Shares were purchased in November 2013. The Fritzler Shares are scheduled to be purchased by February 2015.

Collateral: The Corporation will provide the shares of stock purchased by this loan to the CWCB as collateral. Because the purchase cost is within the appraised value, and this loan will only finance up to 90% of the purchase cost, this meets the requirements of CWCB Financial Policy #5 which requires hard collateral valued at an amount equal to or greater than 110% of the loan amount.

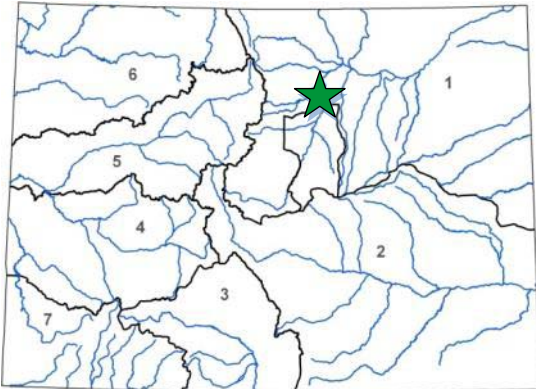
cc: Frank Eckhardt, President, Eckhardt Farms Inc.
Susan Schneider/Jennifer Mele, Colorado Attorney General's Office

Attachment: Water Project Loan Program - Project Data Sheet



(Change of Collateral)

L O A N D E T A I L S	
Project Cost:	\$1,470,000
CWCB Loan (with Service Fee):	\$1,336,230
Loan Term and Interest Rate:	30 Years @ 1.75%
Funding Source:	Construction Fund
B O R R O W E R T Y P E	
Agriculture	Municipal Commercial
100%	0% Low - 0% Mid - 0% High 0%
P R O J E C T D E T A I L S	
Project Type:	Water Rights Purchase
Average Annual Diversion:	694 AF



L O C A T I O N			
County:		Weld	
Water Source:		South Platte River	
Drainage Basin:		South Platte	
Division: 1		District: 2	

Eckhardt Farms Inc. is located in Weld County near LaSalle, Colorado. The farming Corporation has been incorporated since 1993. It farms 3,000 acres and generates revenues from crops of hay, wheat, corn, sugar beets, onions, and pinto beans. In the past, the Corporation was able to irrigate with well water. The wells it used are part of Central Colorado Water Conservancy District's - Well Augmentation Subdistrict and have not been able to be pumped since 2005. Since that time the Corporation has been leasing shares in the Western Mutual Ditch Company.

Through this loan, the Corporation intended to purchase the water it had been leasing for the past seven years and continue to use it for agricultural production. Those shares later became unavailable to purchase and the Corporation identified a total of 16.06 shares of Farmers Independent and 2 shares of Western Mutual to be purchased under this loan. A change of collateral is required to identify the new shares to be purchased.

