



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., Finance Section Chief

DATE: January 26-27, 2015 Board Meeting

CONSENT AGENDA: 4b - Change to Existing Loans
Santa Maria Reservoir Company - Continental Dam Spillway Restoration Project

Introduction

At the September 2013 Board Meeting, the Santa Maria Reservoir Company (Company) received approval for a \$3,071,663 CWCB loan (C150365 / CT 2015-006) and \$1,013,750 WSRA grant to finance the Continental Dam Spillway Restoration Project (Project). The purpose of the Project was to address seepage and repair the spillway of the Continental Reservoir in order to lift a State Engineers Office (SEO) imposed dam safety storage restriction. The Project was bid in March of 2014 and construction began in May. While bids came in higher than the original engineer's estimate, the Company proceeded with the first of two anticipated construction seasons. The Company worked with the contractor and engineer to gather more data on the reservoir seepage area. All parties agreed upon a modified approach to complete the Project. As a result of these discussions and the updated cost estimates, the Company is requesting a loan increase of \$600,000. The Company is not requesting a grant increase. See attached Project Data Sheet for a location map and a Project summary.

Staff Recommendation for CWCB Loan

Staff recommends the Board approve a loan increase not to exceed \$606,000 (\$600,000 for Project costs and \$6,000 for the 1% service fee) for a total loan not to exceed \$3,677,663 (\$3,641,250 for Project costs and \$36,413 for the 1% service fee) to the Santa Maria Reservoir Company for engineering and construction cost related to the Continental Dam Spillway Restoration Project from the Construction Fund. 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.



Guidance

At the May, 2005 Board Meeting, the Board authorized staff to present increases to existing loans less than 20% of the original loan as Consent Agenda Items. The Santa Maria Reservoir Company loan increase presented below is approximately 16% of the loan amount.

Background

The Company provides irrigation water to approximately 70,000 acres in Rio Grande, Saguache, Conejos, and Alamosa Counties, in the San Luis Valley. The Company owns and operates two reservoirs: Santa Maria and Continental. The reservoirs are located in Hinsdale and Mineral Counties, about 20 miles southwest of the Town of Creede. Santa Maria receives regulated discharges from Continental through a century old conveyance system comprised of a pipeline, siphon and an open ditch.

Continental was designed in 1910 and was constructed between 1925 and 1928 with a design capacity of 27,000 AF; however, due to seepage and spillway deterioration, it has been limited by the SEO to a storage capacity of 15,000 AF for the past 20 years.

The objective of this Project is to rehabilitate the Continental dam and restore the full storage capacity of the reservoir by repairing the spillway and installing a filter blanket to address seepage.

Project Update

The Project was bid in March of 2014. Moltz Constructors, Inc. of Cody, Wyoming was awarded the construction contract. Construction began on the spillway rehabilitation at Continental dam in May of 2014. Most of the spillway work was completed in the summer of 2014. The filter blanket work is scheduled for the 2015 construction season.

The contractor's bid was higher than the estimate used for funding purposes. The Company chose to move forward with the Project and agreed to work with the contractor and engineer (URS, Inc./AECOM) to further investigate the site conditions to see if a more cost-effective approach could achieve the desired result of addressing seepage, thereby allowing the Company to store its full water rights decree. Table 1 summarizes the increased construction cost estimate. The current Project estimate is based on numbers provided by the contractor.

TABLE 1: UPDATED PROJECT COST SUMMARY

Task	Original Project Estimate	Current Project Estimate
Engineering/Construction Management	\$431,000	\$431,000
Construction	\$3,584,000	\$5,200,000
Admin	\$40,000	\$40,000
Total	\$4,055,000	\$5,640,000

Schedule: Construction will resume as soon as weather permits in 2015 with completion anticipated by the fall of 2015.

TABLE 2: PROJECT FUNDING SUMMARY

WSRA Grant <i>(No change to grant amounts from original approval)</i>	
Rio Grande River Basin	\$51,000
Statewide	\$962,750
TOTAL	\$1,013,750
CWCB Construction Fund Loan	\$3,641,250
Borrower Contribution	\$985,000
Total Project Cost	\$5,640,000

The CWCB will continue to disburse funds at a rate of 75% loan to 25% grant of each invoice amount for Project related expenses, up to the approved grant limit. Once all grant funds are spent, the CWCB will disburse loan funds at 100% of each invoice until all loan funds are drawn. The remainder of the Project costs will be paid by the Company.

Financial Analysis

TABLE 3: LOAN FINANCIAL SUMMARY

	Original Approval	Current Request
Total Project Cost	\$4,055,000	\$5,640,000
Borrower Contribution	\$0	\$985,000
WSRA Grant (Approved in September 2013) (No change)	\$1,013,750	\$1,013,750
CWCB Loan Amount	\$3,041,250	\$3,641,250
CWCB Loan Amount (including 1% Service Fee)	\$3,071,633	\$3,677,663
CWCB Annual Loan Payment	\$132,480	\$158,617
CWCB Annual Loan Obligation (including reserve account)	\$145,728	\$174,478
Number of Shareholders	250	250
Number of Shares	5,400	5,400
Current Annual Assessment (per Share)	\$40	\$70
Annual Cost per share for loan repayment	\$27	\$32
Total Cost of Project per AF of Storage Recovered (12,000 AF)	\$338	\$470

Creditworthiness:

The Company has an existing \$1,405,163 CWCB loan that was approved in 2012 (contract number C150350) with annual payments of \$60,604 for the Conveyance System Project. The loan terms are 30 years at the agricultural interest rate of 1.75%. The Conveyance Systems Project construction was completed in the fall of 2014 and substantial completion is anticipated in 2015. Additionally, the Company paid off a \$454,000 CWCB loan in 2003. The loan terms were 20 years at 5% per annum. The Company deferred a payment in 1994 but ultimately paid off the loan early, making it a 13-year term.

TABLE 4: FINANCIAL RATIOS

<i>Financial Ratio</i>	2010-2012⁽¹⁾	Future ⁽²⁾ w/ Project
Operating Ratio (operating revenues/operating expenses) weak: <100% - average: 100% - 120% - strong: >120%	139% (strong) \$230K/\$165K	103% (average) \$467K ⁽³⁾ /458K
Debt Service Coverage Ratio (total eligible revenues-operating expenses)/total debt service weak: <100% - average: 100% - 120% - strong: >120%	N/A ⁽⁴⁾	104% (average) (\$467K-223K)/ \$235K
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	283% (strong) \$467K/\$165K	53% (average) \$245K/\$458K
Annual Operating Cost per Acre-Foot (based on 6,300 AF) weak: >\$20 - average: \$10 - \$20 - strong: <\$10	\$26 (weak) \$165K/6,300	\$72 (weak) \$458K/6,300

(1) Ratios are from original loan request and memo.

(2) Future w/ Project ratios included updated information from the Company's 2013 audited financials and 2014 budget.

(3) Revenues increased as a result of the Company increasing assessments in preparation of the loan repayments.

(4) No loans were in repayment during the 2010 - 2012 time period.

Collateral: Security for the loan will remain a pledge assessment revenues backed by a rate covenant and the Project itself including: Continental Reservoir and associated storage rights. This is in compliance with the CWCB Financial Policy #5 (Collateral).

cc: Jay Yeager, Manager, Santa Maria Reservoir Company
Susan Schneider/Jennifer Mele, Colorado Attorney General's Office

Attachment: Water Project Loan Program - Project Data Sheet



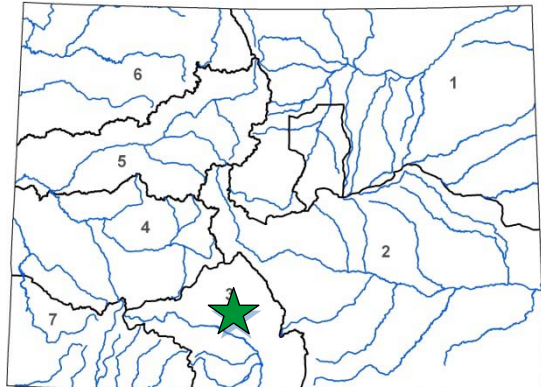
Continental Dam Spillway Restoration Project

Santa Maria Reservoir Company

January 2015 Board Meeting

(Loan Increase)

L O A N D E T A I L S	
Project Cost:	\$5,640,000
CWCB Loan Increase(with Service Fee):	\$606,000
CWCB Loan (with Service Fee):	\$3,677,663
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
100%	0% Low - 0% Mid - 0% High
	Commercial
	0%
P R O J E C T D E T A I L S	
Project Type:	Dam Rehabilitation
Average Annual Delivery:	6,300 AF
Recovered Storage:	12,000 AF



L O C A T I O N	
County:	Hinsdale & Mineral
Water Source:	North Clear Creek
Drainage Basin:	Rio Grande
Division:	3
District:	20

Santa Maria Reservoir Company owns and operates Continental Reservoir (27,000 AF) and Santa Maria Reservoir (43,500 AF), located in the Rio Grande River Basin near Creede, Colorado. For the past 20 years, Continental has been under a storage restriction due to seepage issues, limiting the storage to 15,000 AF. The purpose of this Project is to address seepage issues and repair the spillway Continental Reservoir in order to lift the storage restriction. The Project was bid in March of 2014. Moltz Constructors, Inc. of Cody, Wyoming was the selected contractor and construction began on the spillway rehabilitation at Continental dam in May of 2014. Most of the spillway work was completed in the summer of 2014. At the time of the bid open, the contractor's bid was higher than the estimate used for funding purposes. The Company chose to move forward with the Project and agreed to work with the contractor and engineer (URS/AECOM.) to further investigate the site conditions to see if a more cost effective approach could achieve the desired result of addressing seepage, thereby allowing the Company to store its full water rights decree. The increase in funds will be used to complete the seepage work at the reservoir in 2015.

