



COLORADO

**Colorado Water
Conservation Board**

Department of Natural Resources

1313 Sherman Street
Denver, CO 80203

P (303) 866-3441
F (303) 866-4474

John Hickenlooper, Governor

Robert Randall, DNR Executive Director

James Eklund, CWCB Director

TO: Colorado Water Conservation Board Members

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

DATE: January 23-24, 2017 Board Meeting

AGENDA ITEM: 16a. Change to Existing Loans
San Luis Valley Water Conservancy District – Anaconda Ditch Water Right
Acquisition Project

Introduction

The San Luis Valley Water Conservancy District (District), acting by and through its water activity enterprise, received approval of a \$839,000 loan (CT2015-166) for the Anaconda Ditch Water Right Acquisition Project (Project) at the March 2013 Board meeting. The total Project cost was estimated to be \$923,000. Since that time, costs increased to \$1,112,450 as a result of delays in closing and an escalation clause on the purchase agreement. The District is requesting a loan increase of \$284,574.50 (including the loan service fee) to cover increased Project costs and to finance 100% of the Project. See attached Project Data Sheet for a location map and a Project summary.

Staff Recommendation

Staff recommends the Board approve a loan increase not to exceed \$284,574.50 (\$281,750 for Project costs and \$2,824.50 for the 1% service fee) to the San Luis Valley Water Conservancy District, acting by and through its Water Activity Enterprise, for costs related to the Anaconda Ditch Water Right Acquisition Project, from the Construction Fund. The total loan amount will become \$1,123,574.50 (\$1,112,450 for Project costs and \$11,124.50 for the 1% service fee). The loan terms shall remain 30 years at the municipal low-income interest rate of 2.5% per annum. Security for the loan shall remain a pledge of water activity enterprise revenues backed by a rate covenant, in compliance with CWCB Financial Policy #5.



Background

The District operates a Water Augmentation Program within a portion of the San Luis Valley and the upper Rio Grande River Basin in Colorado. The District's service area includes portions of Rio Grande, Alamosa, Saguache, Mineral and Hinsdale Counties. The actual augmentation service area is limited to the geographic area where depletions from augmented wells and ponds can be replaced by the District's augmentation plans, either directly or by exchange.

The District's Augmentation Program was developed to replace out-of-priority stream and river depletions resulting from withdrawal of groundwater through wells serving residential, municipal, and commercial users. Rio Grande and transmountain surface water rights have been acquired by the District to replace these depletions. In order to replace these depletions at the time and place that they occur, upstream water storage rights have been obtained through agreements with Rio Grande, Santa Maria, and Continental Reservoirs.

To help control the water demand and prevent exhausting the remaining available water within the basin on large developments, the District has adopted a policy for potential large water users (those needing more than 3 acre-feet of augmentation water). The policy works by having a developer deed water rights to the District. The District then takes the water rights through court for use in its Augmentation Program. Following the final water court decree, the District has sufficient water to meet a development's demands with the excess water available for purchase by the District. It is through this policy that the District is acquiring the subject of this loan request, the Anaconda Ditch water rights.

Water Rights

The District's augmentation decrees are summarized in Table 1. In addition, the District leases 1,300 acre-feet in three reservoirs: Rio Grande, Santa Maria, and Continental.

Table 1 - Estimated Yield of District's Augmentation Decrees

Decree Case No.	Average Yield (AF/year)
84CW16	106
94CW62	106
03CW41	73
05CW13	80
07CW63	21
09CW34 Anaconda Ditch (Project)	304.8
14CW3011 (current change case)	149 AF (estimated)
Total	839.8

In 2016, the District's augmentation demands were 399.8 acre-feet.

Project Update

The Project has been in progress for many years and will add 304.8 acre-feet of consumptive use water to the District's augmentation portfolio. The decreed use of the water right was changed from irrigation to augmentation through Case No 09CW34. The decree was finalized in April 2016. The water

rights purchase was delayed when the water and associated lands were involved in a foreclosure action that took several years to resolve.

In accordance with the District's contract to buy the water, the purchase price increased by 5% each year until all the water was purchased. As a result, the purchase price of the water has increased from \$915,216 to \$1,112,450. To support the purchase price, the District provided the CWCB with an appraisal done by Thomas Williamson, dated December 9, 2016. The appraised value of the subject water rights is \$1,142,408.

Schedule: The foreclosure was settled in November 2016 and the District anticipates the purchase of the water will be finalized in the first quarter of 2017.

Financial Analysis

Table 2 shows a summary of the financial aspects of the Project. Based on the median household income in the District's service area, the interest rate was established at the municipal low-income rate of 2.5% for a 30 year term.

In addition to the costs in Table 2, the District spent approximately \$500,000 in legal and engineering fees related to the water rights change case and contract negotiation. These fees are not included in the total Project cost as they are not a part of the loan.

TABLE 2: FINANCIAL SUMMARY

	Original Approval	Current Request
Total Project Cost	\$923,000	\$1,112,450
Borrower Contribution	\$92,300	-
Association CWCB Loan Amount	\$830,700	\$1,112,450
CWCB Loan Amount (Including 1% Service Fee)	\$839,000	\$1,123,574.50
CWCB Annual Loan Payment	\$40,086	\$53,682
CWCB Annual Loan Obligation (1 st Ten Years)	\$44,094	\$59,050
Project Cost per AF	\$3,550	\$4,314

Creditworthiness: The District has an existing loan with the CWCB for the acquisition of water rights in the Pine River Weminuche Pass Ditch. The loan has a balance of \$617,612.69 with annual payments of \$39,540 and a maturity date of May 1, 2039. All payments have been made on time. Collateral for the loan is a pledge of Water Activity Enterprise revenues backed by a rate covenant and annual financial reporting.

TABLE 3: FINANCIAL RATIOS

Financial Ratio	Past 3 Years (Original Approval)	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	162% (strong) \$470K/\$290K	116% (average) \$530K/\$456K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	550% (strong) (\$470K-\$250K) \$40K	175% (strong) (\$530K-\$357K) \$98.6K
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	331% (Strong) \$959K /\$290K	241% (strong) ¹ \$1.1M /\$456K

(1) *The District plans to use its cash reserves for another water rights purchase currently under consideration.*

Collateral: Security for this loan will remain a pledge of the District's water activity enterprise revenues backed by a rate covenant and annual financial reporting. This is in compliance with the CWCB Financial Policy #5 (Collateral).

cc: Heather Dutton, General Manager, San Luis Valley Water Conservancy District
Jennifer Mele, Colorado Attorney General's Office

Attachment: Water Project Loan Program - Project Data Sheet



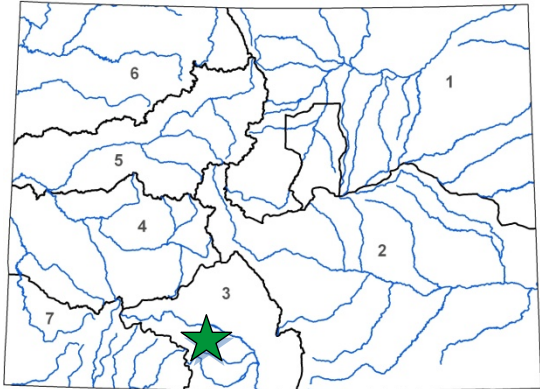
Anaconda Ditch Water Rights Acquisition

San Luis Valley Water Conservancy District

January 2017 Board Meeting

(Loan Increase)

L O A N D E T A I L S	
Project Cost:	\$1,112,450
CWCB Loan (with Service Fee):	\$1,123,574.50
Loan Term and Interest Rate:	30 Years @ 2.5%
Funding Source:	Construction Fund
B O R R O W E R T Y P E	
Agriculture	Municipal
0%	100% Low - 0% Mid - 0% High
Commercial	0%
P R O J E C T D E T A I L S	
Project Type:	Water Rights Purchase
Average Annual Delivery:	400AF



L O C A T I O N	
County:	Alamosa
Water Source:	Rio Grande River
Drainage Basin:	Rio Grande
Division:	3
District:	20

The San Luis Valley Water Conservancy District (District) operates an augmentation program servicing portions of Rio Grande, Alamosa, Saguache, Hinsdale and Mineral Counties. The augmentation program was developed to offset river depletions from wells serving residential and commercial uses in the area. The District intends to acquire additional water rights to add to its existing program, including the subject of this loan request, the Anaconda Ditch water rights. The District is purchasing a 58% interest in the ditch providing 304.8 acre-feet. The Project has been in process for over a decade and will add 304.8 AF of consumptive use water to the District's inventory. The decreed use of the water right was changed from irrigation to augmentation through Case No 09CW34. The District reached a settlement with all opposing parties and the decree was finalized in April 2016. The District anticipates the purchase of the water will be finalized in the first quarter of 2017. In accordance with the District's contract, the purchase price for the water increased by 5% each year until all the water was purchased. Because the purchase was delayed, the cost of the water has increased from \$915,216 to \$1,112,450.

