



COLORADO

Colorado Water
Conservation Board

Department of Natural Resources

1313 Sherman Street, Room 718
Denver, CO 80203

March 26, 2018

Mr. Brett Corsentino, President
Corsentino Dairy Farm, Inc.
2689 State Highway 10
Walsenburg, CO 81089

Re: Holita Dam Rehabilitation (CT2018-980)

Mr. Corsentino:

I am pleased to inform you that on March 21, 2018, the Colorado Water Conservation Board approved a loan increase for the Holita Dam Rehabilitation of \$27,270 (\$27,000 for project costs and \$270 for the 1% Loan Service Fee) for a total loan not to exceed \$112,716 (\$111,600 for project costs and \$1,116 for the 1% Loan Service Fee). The loan terms shall remain 10 years at 0.5% per annum.

I have attached a copy of the updated Board memo dated March 21, 2018 that includes the Board's approval.

As you are aware, an amended contract must be in place before the additional funds can be disbursed. Peg Mason, Loan Contracts Manager, will initiate the loan amendment process. You can contact Peg at (303) 866-3441 x3227 regarding the status of the amendment.

On behalf of the Board, I would like to thank you for your interest in a loan from the CWCB.

Sincerely,

Kirk Russell, P.E., Chief
Finance Section





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1313 Sherman Street
Denver, CO 80203

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

John Hickenlooper, Governor

Robert Randall, DNR Executive Director

Rebecca Mitchell, CWCB Director

TO: Colorado Water Conservation Board Members

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

DATE: March 21-22, 2018 Board Meeting (**Updated March 21, 2018**)

AGENDA ITEM: 10a. Change to Existing Loans
Corsentino Dairy Farms, Inc. – Holita Dam Rehabilitation

Introduction

Corsentino Dairy Farms, Inc. (Dairy) was approved for a \$85,466 loan for 90% of the estimated cost to complete the Holita Dam Rehabilitation (Project) at the July 2017 Board meeting. The Project includes repairs to address embankment seepage, inadequate freeboard, and a permanent lowering of the spillway. Holita Dam is currently under a storage restriction by the Dam Safety Branch of the State Engineer's Office (SEO). Holita Reservoir is the primary water supply storage reservoir for the Dairy and a critical component to its operations. After the Project is complete it will preserve 274 acre-feet of water storage. The Dairy contracted with Double M Excavating, Inc. to complete the repairs. Based on an updated estimate from the contractor, the Project is now expected to cost \$124,000. The Dairy is requesting a loan increase to cover 90% of the updated Project costs. See attached Project Data Sheet for a location map and Project Summary.

Staff Recommendation (Board approved Staff Recommendation on March 21, 2018)

Staff recommends the Board approve a loan increase not to exceed \$27,270 (\$27,000 for Project costs and \$270 for the 1% service fee) to Corsentino Dairy Farms, Inc. for costs related to the Holita Dam Rehabilitation Project from the Severance Tax Perpetual Base Fund. The total loan amount will become \$112,716 (\$111,600 for Project costs and \$1,116 for the 1% service fee). Loan terms shall remain 10 years at the reduced agricultural interest rate of 0.5% per annum. Security for the loan shall remain the Corsentino Dairy Farm and water rights.

Staff additionally recommends maintaining the contract condition requiring the borrower to establish a reserve fund equal to one annual payment prior to disbursement of loan funds.



Project Update

Nicholas Koch, P.E. and Walter Bland, Engineering Technician, agricultural engineers out of La Junta, worked with the Dairy to select a contractor to complete the repairs to Holita Dam. The estimated cost of the Project increased by \$30,000 as noted in Table 1.

TABLE 1: ESTIMATED PROJECT COSTS

Task	Original Estimate (June 2017)	Updated Estimate (Jan 2018)
Site Survey / Construction Stakeout	\$5,000	\$5,000
Drain Reservoir & Site Stripping	\$2,100	\$4,100
Trench Excavation	\$24,000	\$32,000
Plug Existing Pipe	\$1,000	-
Place Compacted Fill	\$48,000	\$52,300
Excavate Emergency Spillway	\$500	\$500
Engineering Design	\$4,000	\$4,000
Contingencies	\$9,400	\$21,100
Mobilization		\$5,000
TOTAL	\$94,000	\$124,000

Schedule: The contractor mobilized in January 2018 and replaced an existing outlet pipe. This work was not part of the original scope and was paid by the minority shareholder in the Holita Ditch and Reservoir Company. The embankment and spillway work is expected to be complete by May 2018.

Financial Analysis

The loan terms will remain the same as the original loan approval.

TABLE 2: UPDATED FINANCIAL SUMMARY

	Original Approval (July 2017)	New Request (March 2018)
Total Project Cost	\$94,000	\$124,000
Borrower Contribution (10%)	\$9,400	\$12,400
CWCB Loan Amount	\$84,600	\$116,000
CWCB Loan Amount (Including 1% Service Fee)	\$85,446	\$112,716
CWCB Annual Loan Payment	\$8,781	\$11,584
Project cost per acre-foot storage (224 AF)	\$420	\$554

Creditworthiness: The Dairy has an existing loan with Community Banks of Colorado in Walsenburg executed November 26, 2003. The loan matures in 2021 with a balloon payment due at that time. The Community Banks of Colorado loan is secured by the Dairy and includes the land and water rights.

TABLE 3: UPDATED EXISTING DEBT

Lender	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
Community Banks of Colorado	\$1,913,000	\$1,182,655 ⁽¹⁾	\$85,512	April 2021	Corseintino Dairy including 1,018.78 acres of land and the Dairy's water rights

(1) Balance on March 1, 2018 as provided by Community Banks of Colorado.

TABLE 4: UPDATED FINANCIAL RATIOS

Financial Ratio	Past Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% average: 100% - 120% strong: >120%	106% (average) \$2.22M / \$2.10M	106% (average) \$2.22M / \$2.10M
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% average: 100% - 120% strong: >120%	246% (strong) (\$2.22M-\$2.01M) \$85.5K	216% (strong) (\$2.22M-\$2.01M) \$97.1K
Cash Reserves to Current Expenses weak: <50% average: 50% - 100% strong: >100%	2% (weak) \$39.0K/\$2.10M	1% (weak) \$27.4K/\$2.10M

Collateral: Security for this loan will remain the Corseintino Dairy Farm land and the water rights owned by the Dairy. The CWCB will be in a subordinate lien position; therefore, the security is a variance from CWCB Financial Policy #5 (Collateral).

cc: Brett Corseintino, Corseintino Dairy Farm, Inc.
 Jennifer Mele, Colorado Office of the Attorney General

Attachments: Water Project Loan Program - Project Data Sheet
 Original Board Memo (updated July 21, 2017)

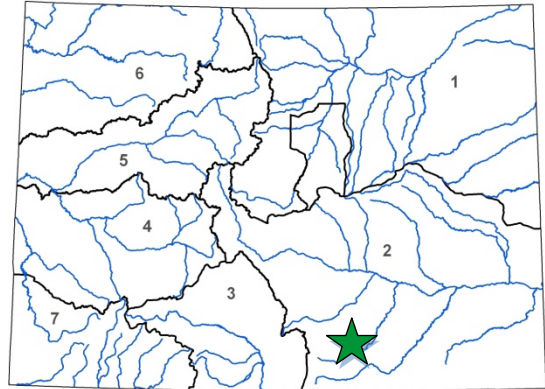


Holita Dam Rehabilitation

Corsentino Dairy Farms

March 2018 Board Meeting
(Loan Increase)

L O A N D E T A I L S	
Project Cost:	\$124,000
CWCB Loan (with Service Fee):	\$112,716
Loan Term and Interest Rate:	10 Years @ 0.5%
Funding Source:	Severance Tax
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:	Reservoir Rehabilitation
Average Annual Delivery:	540 AF
Storage Preserved:	274 AF



L O C A T I O N	
County:	Huerfano
Water Source:	Cucharas River
Drainage Basin:	Arkansas
Division:	2 District: 16

Corsentino Dairy Farms, Inc. is located on 1,019 acres located approximately three miles east of the City of Walsenburg, along the north and south sides of State Highway 10. The Dairy has been in the Corsentino family since 1936 and is currently operated as an organic dairy.

The primary water for the dairy operation comes from a well. The well is operated in accordance with the Corsentino Dairy plan for augmentation. The replacement water comes from the Holita Reservoir.

Holita reservoir has a storage capacity of 498 acre-feet and was built in 1889. In September of 2014 the Dairy received a letter from the Office of the State Engineer (SEO) that identified the Holita dam as unsatisfactory and restricted the storage level to five feet below the low point of the west dam crest.

The intent of the SEO storage restriction is to eliminate uncontrolled seepage from the dam. The SEO also identified the spillway as unsafe and is requiring a permanent lowering that will result in a storage volume of 274 acre-feet. Through this loan, the Dairy plans to rehabilitate the dam in the winter of 2017/2018.



Holita
Reservoir

