



COLORADO

Colorado Water Conservation Board

Department of Natural Resources

1313 Sherman Street, Room 718
Denver, CO 80203

September 21, 2017

Paul J. Willumstad, President of Board
Pueblo Conservancy District
PO Box 234
Pueblo, CO 81002

Re: Arkansas River and Wildhorse Creek Levees

Mr. Willumstad:

I am pleased to inform you that on September 20, 2017 the Colorado Water Conservation Board approved your loan request for the Arkansas River and Wildhorse Creek Levees as described in the application and approved Loan Feasibility Study titled "Arkansas River and Wildhorse Creek Levee Rehabilitation and Reconstruction," dated June 2017. The Board approved a loan not to exceed \$17,170,000 (\$17,000,000 for project costs and \$170,000 for the 1% Loan Service Fee). The loan terms shall be 30 years at an interest rate of 2.45% per annum.

I have attached a copy of the updated Board memo dated September 21, 2017 that includes the Board's approval. After the Board approves a loan there are a few steps that remain in the loan process including:

Legislature/Governor Approval: The loan will be included in the 2018 Water Projects Bill. If the Bill is signed by the Governor, funds are available for disbursement pending an executed loan contract.

Contracting: An executed loan contract must be in place before funds can be disbursed for eligible project expenses. Peg Mason, Loan Contracts Manager, will contact you to initiate the loan contracting process. She can be reached at (303) 866-3441 x3227.

Design/Construction: You must adhere to the CWCB Design and Construction Administration Procedures including an invitation to the Prebid, Preconstruction and Bid Opening meetings. Anna Mauss, P.E., will be the Project Manager for this phase of the process and will work with you on the disbursements of your loan funds. She can be reached at (303) 866-3441 x3224.

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

Attachment: Updated Board Memo

P 303.866.3441 F 303.866.4474 www.cwcb.state.co.us

John W. Hickenlooper, Governor | Robert Randall, DNR Executive Director | Rebecca Mitchell, CWCB Director





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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 *✓GR*

DATE: September 20-21, 2017 Board Meeting (Updated September 21, 2017)

AGENDA ITEM: 15a. Water Project Loans
Pueblo Conservancy District - Arkansas River and Wildhorse Creek Levees

Introduction

The Pueblo Conservancy District (District) is applying for a loan for the Arkansas River and Wildhorse Creek Levees (Project). The purpose of the Project is to repair the levees within the City of Pueblo to bring them up to Federal Emergency Management Agency (FEMA) standards to provide flood protection to the City. The total Project cost is estimated to be \$23 million. To date, the District has spent approximately \$11 million on the Project, funded in part by a \$10 million bond. The initial loan request was for 100% of the Project costs, including refinancing the existing bond debt. Because refinancing is not a top priority of the CWCB loan program, staff worked with the District to amend the loan request to \$17 million. See attached Project Data Sheet for a location map and Project summary.

Staff Recommendation (Board approved Staff Recommendation September 20, 2017)

Staff recommends the Board request the General Assembly authorize a loan for \$17,170,000 to the Pueblo Conservancy District in the 2018 CWCB Projects Bill.

The \$17,170,000 (\$17,000,000 for Project costs and \$170,000 for the 1% service fee) loan to the Pueblo Conservancy District is for costs related to the Arkansas River and Wildhorse Creek Levees Project, from the Severance Tax Perpetual Base Fund. The loan term shall be 30 years at the low-income municipal interest rate of 2.45% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.



Background

The District was formed in response to the 1921 flood in Pueblo. Its primary function is flood protection within its designated boundaries. These boundaries are roughly one mile in width by 11 miles in length, generally following the Arkansas River from a point approximately 9.5 miles west of the City of Pueblo's limits as they existed in 1922, through the heart of the City, to the eastern City limits circa 1922. Construction of levees was completed in March 1926.

The Arkansas Levee extends from the 11th Street Bridge in Pueblo to Runyon Lake and is approximately 13,000 linear feet. The Wildhorse Creek Levee is located on the east side of Wildhorse Creek between 11th Street and 18th Street in Pueblo.

After Hurricane Katrina in 2005, which resulted in major flooding in the City of New Orleans, the Corps of Engineers was criticized for failure to assure that the levees designed to protect New Orleans were properly maintained. As a result the Corps of Engineers and FEMA initiated a program for reviewing levees in the United States. The Corps now conducts two types of levee inspections: Routine Inspections (annual visual inspections to verify and rate levee system operation and maintenance), and Periodic Inspections (a more comprehensive inspection conducted by a Corps multidisciplinary team that includes the levee sponsor and is led by a professional engineer conducted every five years).

In 2006, the District was advised that unless the Arkansas and Wildhorse Creek levees were accredited by FEMA, the City would lose its protected status which ensures that flood insurance can be provided at affordable rates. FEMA has prepared flood plain mapping for the City of Pueblo based on two conditions. The first assumes the improvements to the levees are completed. The second condition assumes the levees are not reconstructed nor accredited. In that case, large portions of downtown Pueblo and adjacent neighborhoods would fall in the flood plain and would be required to obtain flood insurance.

While the construction of Pueblo Dam upstream, completed in 1976, significantly reduced the flood hazard to the City of Pueblo, FEMA mapping indicates that virtually all of the downtown area, plus an area to the north west of downtown would be flooded from a 100-year storm if the levees fail. In reviewing the property within the flood plain, there are a significant number of properties and facilities owned by the City or the County of Pueblo which provide essential public health, safety and welfare functions.

Loan Feasibility Study

Rick Kidd, P.E., Kidd Engineering and Construction Management Services, Inc., prepared the Loan Feasibility Study titled, "Arkansas River and Wildhorse Creek Levee Rehabilitation and Reconstruction," dated June 2017. The feasibility study was prepared in accordance with CWCB guidelines and includes an analysis of alternatives, preliminary engineering design, and construction cost estimates. Audited Financial statements were prepared by Garren, Ross & DeNardo, Inc, Certified Public Accountants.

Borrower - Pueblo Conservancy District

The District was formed, after petition to the District Court, in 1923. The District was organized pursuant to the Conservancy District Law of Colorado, C.R.S. 37-1-101 et. seq. and is a political subdivision of the State. The Colorado Supreme Court held, in 1923, that the Conservancy District statute was constitutional and further held that the maintenance fee established by the statute is a fee and not a tax. Therefore, the Board of Directors petitioned the District Court to allow collection of a maintenance fund assessment. The petition was granted and the District has received maintenance

fund assessment income collected by the Treasurer of Pueblo County with property tax collections since 2008. Assessment revenues come from a fee and not a tax, therefore TABOR limitations do not apply.

The District is currently assessing a maintenance fund fee on all properties in Pueblo County, except for governmental and non-profit entities. The District has the statutory authority to levy an assessment on the governmental and non-profit properties but has chosen not to do so.

Project Description

The objective of the Project is to maintain FEMA accreditation and continued flood protection for the City of Pueblo.

Alternative 1 - No Action: This alternative was not selected because without accredited levees in place, significant portions of Pueblo will be in danger of flooding. Additionally flood insurance could escalate and potentially become cost prohibitive.

Alternative 2 - Replace the lower 10-feet of concrete facing: This alternative looked at only replacing the lower 10-feet of the levee because that is where the worst conditions exist. Toe and footing failures and excessive cracking can be seen at various points along the levee. However, the District's consultants were worried that only replacing the lower 10-feet would not convey the 100 year flow. Additionally, because the current panels (approximately 40-feet) have a joint in the center, replacing the lower portion only would require significant saw cutting and demolition that could potentially create additional damage to the upper portion of the concrete. Therefore, this alternative was not selected.

Alternative 3 - Replace the lower 20-feet of concrete facing: This alternative evaluated replacing the lower 20-feet of the concrete panels. This is the conveyance area for the 100 year storm including freeboard and fits within the existing concrete joint in the panels. This alternative was not selected after a construction test section proved construction access was too challenging.

Selected Alternative 4 -Lower levee and replace remaining concrete: The District evaluated removing the top 12-feet of the concrete panels, constructing an access platform, and replacing the remaining lower portion of the panels. This overcame the construction access challenge and was determined to be the most cost effective solution.

Schedule: To date, the District has completed the reconstruction and stabilization of 6,600 feet of the Arkansas River Levee, the top 12-feet of an additional 4,400 feet of the Arkansas Levee embankment has been removed, and 2,800 feet of Wildhorse Creek Levee has been constructed. The next phase of work is scheduled to begin in late 2017. Construction is limited to November to March when river flows are the lowest. The entire project is expected to be complete in 2022.

Permitting: The District obtained a 404 permit from the Army Corps of Engineers.

The total cost associated with the Project is shown in Table 1.

TABLE 1: ESTIMATED PROJECT COST

Task	Total
Construction/Eng/Admin of previously completed sections (Phase 1 - 3)	\$11,000,000
Engineering/Admin (Phase 4 - 6)	\$675,000
Construction (Phase 4 - 6)	\$11,325,000
TOTAL	\$23,000,000

Financial Analysis

Table 2 provides a summary of the Project's financial aspects. The District qualifies for the low-income municipal interest rate of 2.45% for a 30-year term. The District is applying for grant funding from the Colorado Department of Transportation, Department of Local Affairs, and the CWCB (both Water Supply Reserve Fund and Water Plan Grant program) for additional environmental and recreational enhancements to the project. The financial summary in Table 2 only addresses the levee reconstruction and not the additional enhancements.

TABLE 2: FINANCIAL SUMMARY

Total Project Cost	\$23,000,000
District Cash (Phases 1-3) paid to date	\$11,000,000
CWCB Loan Amount	\$17,000,000
CWCB Loan Amount (Including 1% Service Fee)	\$17,170,000
CWCB Annual Loan Payment	\$814,883
CWCB Annual Loan Obligation (1 st Ten Years)	\$896,371

Creditworthiness: The District executed a \$10 million bond in 2015. Funds were used for construction of phases 1 - 3 of the Project. The bond has an interest rate of 3.57% with annual payments of \$700,000, and a balloon payment of approximately \$5,000,000 due October 29, 2022. Recognizing the balloon payment could become a financial hardship for the District, staff is recommending \$5,000,000 of the CWCB loan go towards paying the balloon payment and bond debt. In order to receive the \$5,000,000, the District will provide the CWCB with invoices paid for construction during phases 1 - 3.

In 2016, the District's maintenance fund revenue was \$1.1 million. It was increased by 35% per the District Court's approval in 2017 bringing future revenues up to nearly \$1.5 million.

TABLE 3: EXISTING DEBT

Lender	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
Bond - Canon National Bank	\$10,000,000	\$9,452,314	\$700,000	10/29/2022	Maintenance Assessment Fund Revenues

TABLE 4: FINANCIAL RATIOS

Financial Ratio	2014-2016	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	102% (average) \$992K/\$971K	125% (strong) \$1.5M/\$1.2M
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	103% (average) (\$992K-\$271K) \$700K	137% ⁽¹⁾ (strong) (\$1.5M-\$271K) \$896K
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	39% (weak) \$381K/\$971K	32% (weak) \$381K/\$1.2M

(1) Assumes bond debt is paid in full at the time of the CWCB loan repayment.

Collateral: Security for this loan will be a pledge of the maintenance fund assessment. CWCB will have parity status with the Districts existing debt. This security is in compliance with the CWCB Financial Policy #5 (Collateral).

cc: Paul Willumstad, President, Pueblo Conservancy District
Rick Kidd, Administrator/Engineer for Pueblo Conservancy District
Don Banner, Banner & Bower, P.C.
Jennifer Mele, Colorado Attorney General's Office

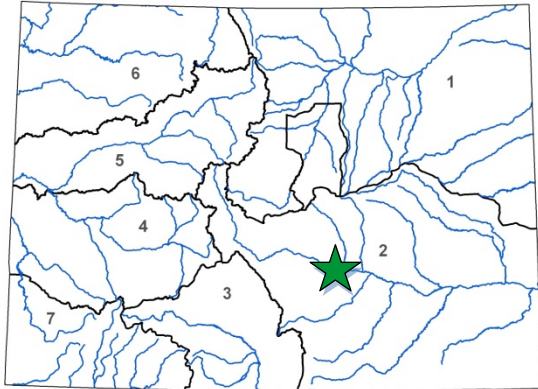
Attachment: Water Project Loan Program - Project Data Sheet



Arkansas River and Wildhorse Creek Levee Rehabilitation

Pueblo Conservancy District
September 2017 Board Meeting

L O A N D E T A I L S	
<i>Project Cost:</i>	\$23,000,000
<i>CWCB Loan (with Service Fee):</i>	\$17,170,000
<i>Loan Term and Interest Rate:</i>	30 years at 2.45%
<i>Funding Source:</i>	Severance Tax Perpetual Base Fund
B O R R O W E R T Y P E	
<i>Agriculture</i>	<i>Municipal</i>
0%	100% Low - TBD% Mid - 0% High
	<i>Commercial</i>
	0%
P R O J E C T D E T A I L S	
<i>Project Type:</i>	Flood Control
<i>Average Annual Diversions:</i>	N/A



The District was formed in response to the 1921 flood in Pueblo. Its primary function is flood protection within its designated boundaries. In 2006, the District was advised that unless the Arkansas and Wildhorse Creek levees were accredited by the Federal Emergency Management Agency (FEMA), the City would lose its protected status which ensures that flood insurance can be provided at

affordable rates. To date, the District has completed the reconstruction and stabilization of 6,600 feet of the Arkansas River Levee, the top 12-feet of an additional 4,400 feet of the Arkansas Levee embankment has been removed, and 2,800 feet of Wildhorse Creek Levee has been constructed. The next phase of work is scheduled to begin in late 2017. Construction is limited to November to March when river flows are the lowest. The entire project is expected to be complete in 2022.

L O C A T I O N	
<i>County:</i>	Pueblo
<i>Water Source:</i>	Arkansas River
<i>Drainage Basin:</i>	Arkansas
<i>Division:</i>	2 <i>District:</i> 14

