



COLORADO

Colorado Water
Conservation Board

Department of Natural Resources

1313 Sherman Street, Room 718
Denver, CO 80203

September 21, 2018

Mr. Tracy Kester, President
Trinchera Irrigation Company
601 Main Street
Blanca, CO 81136

Re: Trinchera Irrigation Company Loan Increase - Mountain Home Dam Outlet Rehabilitation Phase III

Mr. Kester:

I am pleased to inform you that on September 20, 2018 the Colorado Water Conservation Board approved a loan increase for the Mountain Home Dam Outlet Rehabilitation Phase III of \$316,130 (\$313,000 for Project costs and \$3,130 for the 1% service fee) for a total loan not to exceed \$756,490 (\$749,000 for Project costs and \$7,490 for the 1% service fee) The loan terms shall remain 30 years at the agricultural interest rate of 1.65% per annum.

I have attached a copy of the updated Board memo dated September 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

Attachment: Updated Board Memo





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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: Jonathan Hernandez, P.E., Project Manager
Kirk Russell, P.E., Finance Section Chief

DATE: September 19-20, 2018 Board Meeting (Updated September 21, 2018)

AGENDA ITEM: 24a. Changes to Existing Loans

Trinchera Irrigation Company - Mountain Home Dam Outlet Rehabilitation Phase III

Introduction

The Trinchera Irrigation Company (Company) received approval of a \$440,360 CWCB loan (Contract Number CT2018-3122) and a \$513,000 WSRF grant (Contract Number CTGG1 2018-1773) to finance the Mountain Home Dam Outlet Rehabilitation Phase III (Project) at the March 2018 Board Meeting. The purpose of the Project is to meet the emergency drawdown requirements of the State Engineers Office Dam Safety Branch (SEO) and eliminate the annual leakage of up to 2,000 AF by rehabilitating the dam's outlet works. The total Project cost was originally estimated to be \$987,000. Due to a low water year, the Company anticipates nearly draining the reservoir which presents the opportunity to add outlet conduit lining to the Project scope. The revised Project cost is now estimated to be \$1,300,000 and the Company is requesting a loan increase of \$313,000 to fully fund the Project. No additional WSRF grant funding is being requested. See attached Project Data Sheet for a location map and Project summary.

Staff Recommendation (Board approved Staff Recommendation September 20, 2018)

Staff recommends the Board approve a loan increase of \$316,130 (\$313,000 for Project costs and \$3,130 for the 1% service fee) for a total loan not to exceed \$756,490 (\$749,000 for Project costs and \$7,490 for the 1% service fee) to the Trinchera Irrigation Company for costs related to the Mountain Home Dam Outlet Rehabilitation Phase III Project, from the Severance Tax Perpetual Base Fund. The loan terms shall remain 30 years at the agricultural interest rate of 1.65% per annum. Security for the loan shall remain in compliance with CWCB Financial Policy #5.



Project Update

The primary purpose of this Project is to bring the Mountain Home Reservoir's (Reservoir) outlet works into compliance with SEO requirements and eliminate leakage through the valves. The age of the outlet pipeline from the inlet to the gate valves was also a concern but the Company initially decided to incorporate outlet pipeline improvements into a future project in order to keep the Reservoir full and limit the amount of irrigation water that would be wasted by draining the Reservoir. However, drought conditions necessitated the Company to deliver more irrigation water to its shareholders than normal, leaving the Reservoir at a much lower than normal water level.

The Company decided to take advantage of the low water levels and add the conduit lining into the Project. Work will include lining the three 30-inch diameter pipes with three 24-inch diameter high density polyethylene (HDPE) pipes and grouting the new pipes into place. The new design for the outlets will change the outlet valves from two 30-inch gates and one 16-inch gates to three 24-inch gates. Modeling shows this modified configuration will allow the drawdown of 5 feet of water storage in 5.7 days. This does not meet the SEO's emergency drawdown requirement of draining 5 feet of water storage in 5 days for new reservoirs. This has been discussed with the SEO and a waiver is being requested given that the rehabilitated pipelines will represent a vast improvement to the existing outlet works. The waiver will be approved or denied as part of the SEO design review process. Construction cannot begin until the SEO has formally approved the design.

Conduit lining adds cost to the Project but is more cost effective than completing the lining as a future stand-alone project. Additionally, as a result of construction occurring with a drained reservoir, the need for a bulkhead and divers is eliminated which helps mitigate the overall construction cost increase.

The Company selected Moltz Constructors and issued the Notice of Award on August 16, 2018 for a construction contract price of \$1,006,100. The updated estimated total cost associated with the Project is shown in Table 1.

TABLE 1: UPDATED ESTIMATED PHASE III PROJECT COST

Task	Original	Updated
Design Engineering	Incl. in Phase II	Incl. in Phase II
Construction		(Moltz Bid)
Mobilization	\$157,500	\$225,400
Dewatering/Water Control	\$83,400	\$143,200
Outlet Gates	\$485,600	\$368,300
Trash Rack	\$44,700	\$21,000
Valve House	\$17,500	\$11,800
Outlet Pipeline Lining	-	\$236,400
Construction Total	\$788,700	\$1,006,100
Construction Contingency	\$118,300	\$213,900
CONSTRUCTION SUB-TOTAL	\$907,000	\$1,220,000
Construction Observation	\$80,000	\$80,000
TOTAL	\$987,000	\$1,300,000

Schedule: The Company is working through final design review with the SEO and hopes to receive approval in September 2018. Construction is planned to occur from fall 2018 through spring 2019.

Financial Analysis

Table 2 provides a summary of the Project's updated financial aspects. The term of the loan will remain at 30 years at an agricultural interest rate of 1.65%.

TABLE 2: UPDATED FINANCIAL SUMMARY

	Original	Updated
Total Project Cost	\$987,000	\$1,300,000
Moore Charitable Foundation Grant	\$18,000	\$18,000
Trinchera Water Cons. District	\$20,000	\$20,000
WSRF Grant	\$513,000	\$513,000
CWCB Loan Amount	\$436,000	\$749,000
CWCB Loan Amount (Including 1% Service Fee)	\$440,360	\$756,490
CWCB Annual Loan Payment	\$18,728	\$32,173
CWCB Annual Loan Obligation (1 st Ten Years)	\$20,601	\$35,391
Number of Shares	12,396	12,396
Annual Obligation per Share	\$1.66	\$2.86
Current Assessment per Share	\$23/share	\$23/share
Future Assessment per Share	\$24.66/share	\$25.86/share
Project Cost per AF of Storage (17,964 AF)	\$55/AF	\$72/AF

Loan/WSRF Grant Disbursement: Payments from the CWCB loan and WSRF grant funds will be disbursed at the original percentages up to the originally approved amounts: 46% loan (\$436K/\$949K) to 54% WSRF grant (\$513K/\$949K) for the first \$949,000 of reimbursements. 100% of loan funds will be used for eligible costs above \$949,000.

Creditworthiness: The Company has \$871,900 in existing debt made up of three CWCB loans as shown in Table 3. All loans are in good standing.

The Company's assessments have been \$23/share since 2011. Prior to 2011 assessments were \$22/share.

TABLE 3: EXISTING DEBT

Lender	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
CWCB (C153607L)	\$611,478	\$274,090	\$18,623	2034	Assessment revenues. Mountain Home Reservoir
CWCB (C150303)	\$524,553	\$387,922	\$29,926	2035	Assessment revenues. Smith Reservoir and Smith Reservoir water rights.
CWCB (C150316)	\$251,793	\$209,888	\$12,435	2041	Assessment revenues. Garland #2 Canal water rights.
Total		\$871,900	\$60,984		

TABLE 4: FINANCIAL RATIOS

Financial Ratio	Past 2 Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	104% (average) \$333K/\$321K	103% (average) \$368K/\$356K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	120% (strong) (\$333K-\$260K) \$61K	113% (average) (\$368K-\$260K) \$96
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	8% (weak) \$27K/\$321K	8% (weak) \$27K/\$356K
Annual Operating Cost per Acre-Foot (9,000 AF) weak: >\$20 - average: \$10 - \$20 - strong: <\$10	\$36 (weak) \$321K/9,000 AF	\$40 (weak) \$356K/9,000 AF

Collateral: Security for this loan will remain a pledge of assessment revenues back by a rate covenant and the Project itself (Mountain Home Reservoir Outlet Structure). This security is in compliance with the CWCB Financial Policy #5 (Collateral).

cc: Tracy Kester, President, Trinchera Irrigation Company
Jennifer Mele, Colorado Attorney General's Office

Attachment: Water Project Loan Program - Project Data Sheet
Original Board Memo (March 2018)

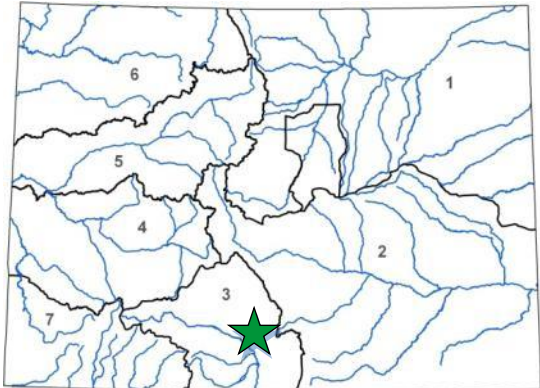


Mountain Home Dam Outlet Rehabilitation Phase III

Trinchera Irrigation Company
September 2018 Board Meeting

(Loan Increase)

L O A N D E T A I L S	
Project Cost:	\$1,300,000
CWCB Loan (with Service Fee):	\$756,490
Loan Term and Interest Rate:	30 years @ 1.65%
Funding Source:	Severance Tax PBF & WRSF
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 Diversions:	9,000 AF



L O C A T I O N	
County:	Costilla
Water Source:	Trinchera Creek
Drainage Basin:	Rio Grande
Division:	2
District:	14

Trinchera Irrigation Company is located in Costilla County and owns and operates Mountain Home Reservoir, Smith Reservoir, and approximately 26 miles of canals and 45 miles of laterals. Mountain Home Reservoir (Reservoir) was built in 1908 and has a capacity of 17,964 AF. The Reservoir's primary function is for irrigation but Colorado Parks and Wildlife operates a State Wildlife Area around the Reservoir and maintains a conservation pool of 653 AF in the Reservoir.

The Reservoir's existing outlet works experience significant leakage and since only one of the three valves is operable, it does not meet the State Engineer's Office, Dam Safety Branch's emergency drawdown requirements. This Project will replace the original valves with new valves and make other minor repairs to the outlet including a new trash rack, line the outlet tunnel and tower, and replace the gate house. This loan increase request is being sought to allow the Company to add lining the outlet from the inlet and trash rack to the gate valves. Construction is anticipated to occur from Fall 2018 to Spring 2019. Funding for the project will come from the CWCB loan and \$513,000 in WSRF grant funds.



Leakage from Outlet Valves



Mountain Home Res (Project Site)