



COLORADO

Colorado Water Conservation Board

Department of Natural Resources

1313 Sherman Street, Room 718
Denver, CO 80203

February 4, 2019

Mr. Sean Cronin, Executive Director
St. Vrain and Left Hand Water Conservancy District
9595 Nelson Road, Suite 203
Longmont, CO 80501

Re: St. Vrain and Left Hand Water Conservancy District - Lake 4 Outlet Pipeline Repair - Loan Increase

Mr. Cronin:

I am pleased to inform you that on January 28, 2019, the Colorado Water Conservation Board approved a loan increase for the St. Vrain and Left Hand Water Conservancy District - Lake 4 Outlet Pipeline Repair of \$245,430 (\$243,000 for Project costs and \$2,430 for the 1% service fee) for a total loan not to exceed \$864,560 (\$856,000 for Project costs and \$8,560 for the 1% service fee). The loan terms shall remain 30 years at 2.85% per annum.

I have attached a copy of the updated Board memo dated January 28, 2019 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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**Colorado Water
Conservation Board**

Department of Natural Resources

1313 Sherman Street
Denver, CO 80203

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

Jared Polis, Governor

Dan Gibbs, 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: January 28-29, 2019 Board Meeting (Updated January 28, 2019)

AGENDA ITEM: 14b. Changes to Existing Loans
St. Vrain and Left Hand Water Conservancy District - Lake 4 Outlet Pipeline Repair

Introduction

The St. Vrain and Left Hand Water Conservancy District (District), acting by and through its water activity enterprise, received approval of a \$619,130 CWCB loan (Contract Number CT2017-3213) to finance the Lake 4 Outlet Pipeline Repair (Project) at the January 2017 Board Meeting. The District and Boulder County (County) are co-owners of Rock'n WP Ranch Lake No. 4 (Lake 4). The purpose of the Project is to fix leaks in Lake 4's outlet pipeline. The total Project cost was originally estimated to be \$911,750. Due to changes during final design and the length of time it has taken to get the Project to bid, the revised Project cost is now estimated to be \$1,155,000 and the Company is requesting a loan increase to cover the difference. See attached Project Data Sheet for a location map and Project summary.

Staff Recommendation (Board approved Staff Recommendation January 28, 2019)

Staff recommends the Board approve a loan increase of \$245,430 (\$243,000 for Project costs and \$2,430 for the 1% service fee) for a total loan not to exceed \$864,560 (\$856,000 for Project costs and \$8,560 for the 1% service fee) to the St. Vrain and Left Hand Water Conservancy District, acting by and through its water activity enterprise, for costs related to the Lake 4 Outlet Pipeline Repair Project, from the Construction Fund. The loan terms shall remain 30 years at the blended interest rate of 2.85% per annum. Security for the loan shall remain in compliance with CWCB Financial Policy #5.



Project Update

The outlet pipeline repair of Lake 4 has been combined with adjacent projects including the emergency dam repair of Lake 4 (the subject of Agenda Item 14a), as well as emergency repairs to the adjacent County owned West Lake and A-Frame Lake. As these three lakes are in series and function as a system, it was determined by the County and District to combine the repair projects into one construction activity to be managed by the County. Costs for the individual projects will be accounted for separately to accurately split costs between the District and County.

The purpose of this Project is to repair Lake 4's outlet pipeline so that reservoir releases can be accurately credited to the augmentation plan and accepted by the State Engineer's Office. This Project is not flood related and therefore not eligible for FEMA grant reimbursements. Since this Project was incorporated into an overall flood related repair project, the repair schedule has been substantially delayed due to owner coordination. Final design is now complete and the updated engineer's cost estimate increased from \$911,750 to \$1,155,000, approximately 27%.

The overall increase in estimated cost is primarily related to two items. First, there were changes to the scope from the November 2016 preliminary conceptual design. Second, due to the delay in getting construction started, the engineer's costs estimate reflects an overall increase in construction costs from 2016 to 2019 costs. The updated Project cost is shown in Table 1.

TABLE 1: UPDATED PROJECT COST

Task	Original	Updated
Design Engineering	\$117,000	\$117,000
Permitting/Regulatory	\$29,000	Covered by Boulder County
Pipeline Repairs	\$480,000	\$769,000
Misc Construction Items	\$194,000	38,000
Construction Engineering	-	\$77,000
CONSTRUCTION SUB-TOTAL	\$820,000	\$1,001,000
Contingency	\$91,750	\$154,000
TOTAL	\$911,750	\$1,155,000

Schedule: The Project is ready to bid but the District and County are waiting on FEMA's decision regarding the flood related components of the larger overall project and have elected to not bid the project until FEMA approval is obtained. It is anticipated that FEMA's approval will be obtained in time to allow the project to be bid in early 2019 and construction to be complete by early 2020.

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 a blended interest rate of 2.85% (Membership: 97% High-Municipal, 3% Commercial).

TABLE 2: UPDATED FINANCIAL SUMMARY

	Original	Updated
Total Project Cost	\$911,750	\$1,155,000
Boulder County Contribution	\$298,750	\$298,750
CWCB Loan Amount	\$613,000	\$856,000
CWCB Loan Amount (Including 1% Service Fee)	\$619,130	\$864,560
CWCB Annual Loan Payment	\$30,978	\$43,258
CWCB Annual Loan Obligation (1 st Ten Years)	\$34,076	\$47,584
CWCB Annual Loan Obligation per AF of Augmentation Water (240 AF)	\$142	\$198
CWCB Annual Loan Obligation per 1,000 gal of Aug. Water (78,204 kgal)	\$0.44	\$0.61

Creditworthiness: The District has no existing debt that is in repayment. The District has an existing \$4,545,000 debt authorization through CWCB Emergency Loan CT2016-2452 for the emergency repairs to Lake 4's dam embankment. That loan is in its loan disbursement stage and is expected that after grant reimbursements, the final loan balance will be between \$150,000 and \$607,500.

The District's future financial outlook depends heavily on the actual amount of grant funds it receives for the emergency project. Because the actual grant reimbursement for the Emergency Loan will not be known until after that project is complete, Tables 3 and 4 present two financial scenarios. The first scenario (termed: "w/o reimbursement") is a worst case scenario and assumes the District receives no grant reimbursements for the emergency project, resulting in a final Emergency Loan balance of \$4,545,000. The second scenario (termed: "with reimbursement") assumes the District receives grant reimbursements such that the Emergency Loan has a final balance of \$607,500.

It should be noted that without grant funds paying down the Emergency Loan balance, the District will either have to increase its augmentation fees by 240%, or more likely, will sell the C-BT units collateralized under the Emergency Loan in a sufficient amount to pay off the Emergency Loan debt. With grant reimbursements, its currently projected that the District will only have to raise its augmentation fees by a manageable 3%.

TABLE 3: EXISTING DEBT OBLIGATION

Lender	Approved Amount	Annual Payment w/o reimbursement	Annual Payment with reimbursement	1 st Payment Due	Collateral
CWCB (CT2016-2452)	\$4,545,000	\$253,918	\$33,940	3/1/2020 ¹	Water activity enterprise revenues, 200 C-BT Units

¹ District is seeking a time extension to 3/1/2022 at this same January 2019 Board Meeting (See Agenda Item 14a)

TABLE 4: FINANCIAL RATIOS

Financial Ratio	Prior Years	Future w/ Project w/o reimbursement	Future w/ Project with reimbursement
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	196% (strong) \$167K/\$85K	100% (average) \$412K/\$412K	100% (average) \$170K/\$170K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	NA	100% (average) (\$412K-\$85K) \$327K	100% (average) (\$170K-\$85K) \$85K
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	392% (strong) \$333K/\$85K	81% (average) \$333K/\$412K	196% (strong) \$333K/\$170K

Collateral: Security for this loan will remain a pledge of water activity enterprise revenues back by a rate covenant as evidenced by annual financial reporting, and unencumbered C-BT units valued at a minimum of 110% of the loan amount. The District originally pledged 27 C-BT units as security for this loan. At a value of \$36,000 per C-BT unit as evidenced by October 2018 C-BT unit sale date, the collateralized value is \$972,000 which is 112% of the increased loan value. This is in compliance with the CWCB Financial Policy #5 (Collateral).

cc: Sean Cronin, Executive Director, St. Vrain and Left Hand Water Conservancy District
Jennifer Mele, Colorado Attorney General's Office

Attachment: Water Project Loan Program - Project Data Sheet
Original Board Memo (January 2017)



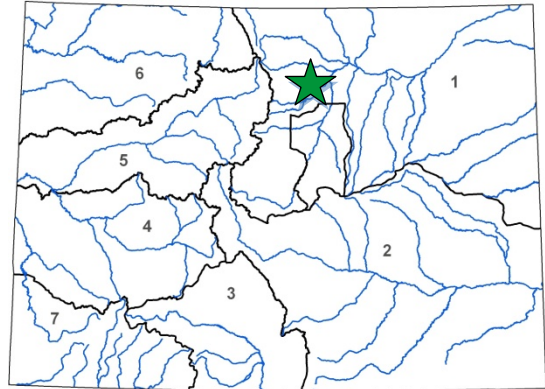
Lake 4 Outlet Pipeline Repair

St. Vrain and Left Hand Water Conservancy District

January 2019 Board Meeting

(Loan Increase)

L O A N D E T A I L S	
Project Cost:	\$1,155,000
CWCB Loan (with Service Fee):	\$864,560
Loan Term and Interest Rate:	30 Years @ 2.85%
Funding Source:	Construction Fund
B O R R O W E R T Y P E	
Agriculture	Municipal
0%	0% Low - 0% Mid - 97% High
	3%
P R O J E C T D E T A I L S	
Project Type:	Reservoir Rehabilitation
Average Annual Delivery:	240 AF
Storage Preserved:	600 AF



L O C A T I O N	
County:	Boulder
Water Source:	St Vrain Creek
Drainage Basin:	South Platte
Division:	1
District:	5

The St. Vrain and Left Hand Water Conservancy District and Boulder County Parks and Open Space jointly own a lined reservoir known as Rock'n WP Ranch Lake No. 4 (Lake 4). Lake 4 was created by reclaiming mined slopes, installing a slurry wall liner around the former gravel pit, and installing inlet and outlet structures. The outlet works include a half-mile-long 18-inch reinforced concrete pipe approximately extending from the dam to the St. Vrain Creek. The District and County inspected the pipeline just prior to the September 2013 flood event and determined that it is leaking in several locations. It is critical for reservoir accounting and water rights administration purposes that the water delivered through the pipeline be water from Lake 4 and not groundwater leaking into the pipe between the dam and the river. Therefore the District and Boulder County desire to repair the pipe to resolve the leakage and to extend the service life of the structure.

