



COLORADO

Colorado Water Conservation Board

Department of Natural Resources
1313 Sherman Street, Room 718
Denver, CO 80203

November 22, 2019

Danyelle McCannon
Central Colorado Water Conservancy District
3209 W. 28th Street
Greeley, CO 80634

Re: Ground Water Management Subdistrict of the Central Colorado Water
Conservancy District - Hokestra Reservoir Purchase and Improvements Project -
Loan Approval

Ms. McCannon:

I am pleased to inform you that on November 20, 2019, the Colorado Water Conservation Board approved your loan request for the Ground Water Management Subdistrict of the Central Colorado Water Conservancy District - Hokestra Reservoir Purchase and Improvements Project as described in the application and approved Loan Feasibility Study titled "CWCB Loan Feasibility Study, Hokestra Reservoir Project," dated October 2019. The Board approved a loan not to exceed \$5,444,405 (\$5,390,500 for Project costs and \$53,905 for the 1% service fee). The loan terms shall be 1.45% per annum for 30 years.

I have attached a copy of the updated Board memo dated November 20, 2019, that includes the Board's approval. After the Board approves a loan there are a few steps that remain in the loan process including:

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. Cole Bedford, 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. He can be reached at (303) 866-3441 x3234.

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





COLORADO
**Colorado Water
Conservation Board**
Department of Natural Resources

1313 Sherman Street
Denver, CO 80203

P (303) 866-3441
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Jared Polis, Governor

Dan Gibbs, DNR Executive Director

Rebecca Mitchell, CWCB Director

TO: Colorado Water Conservation Board Members

FROM: Cole Bedford, P.E., Project Manager *CEB*
Kirk Russell, P.E., Finance Section Chief *KLR*

DATE: November 20-21, 2019 Board Meeting

AGENDA ITEM: 10c. Water Project Loans (Updated November 20, 2019)
Groundwater Management Subdistrict of Central Colorado Water Conservancy
District - Hokestra Reservoir Purchase and Improvements Project

Introduction

The Groundwater Management Subdistrict (GMS) of Central Colorado Water Conservancy District (CCWCD), acting by and through its water activity enterprise, is applying for a loan for the Hokestra Reservoir Purchase and Improvements (Project). The Project includes payment of the outstanding balance on GMS's 2018 purchase of Hokestra Reservoir and Rural Ditch shares as well as future improvements to the reservoir. GMS's original purchase agreement was for \$3.21 million with Weld County, of which approximately \$2.9 million remains outstanding. Improvements to be made include installing three-phase electrical power at the site, constructing inlet and outlet facilities, and installing riprap in some areas around the perimeter of the reservoir cells. The planning, engineering, and construction cost of these improvements are estimated to be \$2.5 million. GMS is requesting a loan for 100% of the total outstanding purchase and improvement costs estimated at \$5,390,500. See attached Project Data Sheet for a location map and Project summary.

Staff Recommendation (Board approved Staff Recommendation November 20, 2019)

Staff recommends the Board approve a loan not to exceed \$5,444,405 (\$5,390,500 for Project costs and \$53,905 for the 1% loan service fee) to the Groundwater Management Subdistrict, acting by and through the water activity enterprise of Central Colorado Water Conservancy District for the Hokestra Reservoir Purchase and Improvements Project from the Severance Tax Perpetual Base Fund. The loan terms shall be 30 years at an agricultural interest rate of 1.45% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.



Borrower - Groundwater Management Subdistrict of Central Colorado Water Conservancy District

CCWCD was formed in 1965 pursuant to the 1937 Water Conservancy Act of the State of Colorado (§ 37-45-101, C.R.S). Within CCWCD's boundaries are approximately 210,000 acres of irrigated agricultural lands in the South Platte basin in Adams, Weld, and Morgan Counties.

GMS is a subdistrict of CCWCD created by the Weld County District Court on April 23, 1973. It has the power to acquire and sell water rights, construct and operate facilities, exercise eminent domain, levy taxes, and contract with other agencies. It is governed by the same 15-member board as its parent district, CCWCD. The primary purpose of GMS is coordination and operation of an augmentation plan to replace surface water depletions caused by the pumping of alluvial wells owned by its constituent members. There are currently 892 constituent wells contracted for coverage in the GMS augmentation plan with a total 66,744 AF allotment distributed among 518 contracts. GMS also replaces evaporation losses associated with two unlined gravel pits.

Background

Hokestra Reservoir is one of many former sand and gravel mining operations located along Boulder Creek and the St. Vrain Creek that have been reclaimed for the purposes of water storage. Hokestra Reservoir is composed of two cells (Pond 2 and Pond 5-6) of which only one has been completely mined out and is ready to be used for water storage. When the remaining cell has been mined out and outfitted with groundwater isolating wall liners approximately 1,250 AF of storage will be available. In 2018 GMS purchased Hokestra Reservoir from Weld County for \$3.21 million. In addition to the storage at Hokestra Reservoir, GMS also acquired 3.75 Rural Ditch shares as part of the purchase agreement. These shares are expected to yield approximately 180 AF of fully consumable water. Because the original agreement with Weld County included components other than the reservoir and shares purchase it was not possible at that time to isolate and finance the reservoir and ditch shares separately. Now that the agreement has been executed, however, that separation is possible.

Loan Feasibility Study

Ed Armbruster, P.E., with White Sands Water Engineers, Inc., prepared the Loan Feasibility Study titled, "CWCB Loan Feasibility Study, Hokestra Reservoir Project," dated October 2019. The feasibility study was prepared in accordance with CWCB guidelines and includes an alternative analysis and construction costs estimate. The feasibility study contains financial statements for the years 2016, 2017, and 2018 prepared by Anton Collins Mitchell, LLP.

Water Rights

The GMS plan of augmentation (Division 1 Water Court Case No. 02CW335) was signed in 2005. The portfolio of GMS water rights consists of changed senior direct flow, junior storage, recharge and exchange rights that have been decreed or are pending adjudication. The GMS Augmentation Plan currently has contracts totaling approximately 66,744 AF in terms of volume of consumptive use.

A water court application was filed by CCWCD with the District Court of Weld County in December 2017, which seeks to change the legal location and type of use of the acquired 3.75 shares in the Rural Ditch Company and to appropriate a new storage right in Hokestra Reservoir. The case (No.17CW3202) is currently pending before the Water Referee and GMS anticipates a decree will be entered approving the change of water rights and new storage appropriation within the next 18 months.

Project Description

The purpose of the Project is to assist in the purchase of Hokestra Reservoir and install infrastructure to improve its functionality.

Alternative 1 - No Action: Not purchasing the reservoir and making associated improvements results in GMS being unable to authorize its members to pump their wells at the full amount of existing allotment contracts, nor would it be able to issue future allotment contracts for want of reliable augmentation supplies.

Alternative 2 - Partial Reservoir Development: GMS considered an alternative which would develop only one of the Hokestra Reservoir Cells (Pond 2 or Pond 5-6) and sell the undeveloped cell to a third party. For example, the capacity of Pond 2 is 458 AF and could be separated for sale to another party. This alternative has the same shortcomings as the "No Action" alternative of limiting GMS's ability to augment its members' well pumping though to a lesser degree.

Selected Alternative 3 - Full Reservoir Development: This alternative includes the full purchase of the Hokestra Reservoir and full development of its cells. The full purchase and development provide GMS with an additional 1,250 AF of storage capacity. Pond 5-6 will be completely mined out and ready for development within a year. After power is brought to the site, inlet and outlet facilities are installed, and riprap is placed around the perimeter of the reservoir cells, the reservoir will provide a reliable and efficient source of augmentation water.

The total estimated project cost of the Selected Alternative is \$5,390,500. Table 1 below shows a breakdown of the cost estimate.

TABLE 1: ESTIMATED PROJECT COST

Tasks	Cost
Remaining Hokestra Purchase Cost	\$2,875,000
APCO Power (Full Site Power)	\$275,000
Pond 2 Improvements	\$405,250
Pond 5-6 Improvements	\$1,545,000
Engineering	\$290,250
TOTAL	\$5,390,500

Permitting: No permits will be necessary in order to move forward with the project.

Schedule: The full reservoir purchase was initiated in 2016 and completed in March 2017. GMS currently owns the site, although Weld County is still actively mining a portion of Pond 5-6. Electrical installation is expected to be completed by April 2020. Engineering and design for the additional infrastructure work will begin in late 2020 with competitive bidding taking place in mid-2021. It is expected that construction will be completed by the end of 2022 or early 2023.

Financial Analysis

Table 2 provides a summary of the Project's financial aspects. GMS qualifies for the Agricultural interest rate of 1.45% for a 30-year term.

TABLE 2: FINANCIAL SUMMARY

Total Project Cost Estimate	\$5,390,500
CWCB Loan Amount	\$5,390,500
CWCB Loan Amount (Including 1% Service Fee)	\$5,444,405
CWCB Annual Loan Payment	\$225,097
CWCB Annual Loan Obligation (1 st Ten Years)	\$247,607
Number of Wells	892
Project Cost per AF (1,250 AF)	\$4,312

Creditworthiness: As of December 31, 2018, the GMS Enterprise Fund had \$5,710,514 in existing long-term debt made up of a 2017 capital lease and the existing Hokestra loan with Weld County. GMS had an assessed valuation of \$2,747,006,018 in 2019.

TABLE 3: EXISTING LONG-TERM DEBT

Debt Type	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
Enterprise Fund (Business-Type Activities)					
2017 Capital Lease	\$2,500,000	\$2,250,478	\$302,673	2027	N/A
Existing Hokestra Loan with Weld County	\$3,210,514	\$3,002,898	\$212,654	2037	Pledge of Assessment Revenues
Total	\$5,710,514	\$5,253,376	\$515,327		
General Fund⁽¹⁾ (Governmental Activities)					
CWCB C150117 (Water Rights Purchase)	\$15,150,000	\$4,703,819	\$740,766	2035	Pledge of Tax Revenues
CWCB CT2020-324 (Walker Recharge)	\$9,847,500	\$9,847,500	\$424,720	-	Pledge of Tax Revenues
Total	\$24,997,500	\$14,551,319	\$1,165,486		

(1) Debt associated with the General Fund is included for information only as it is operated separately from the Water Activity Enterprise Fund. Debt associated with the General Fund is not included in the debt calculations in Table 4.

TABLE 4: FINANCIAL RATIOS

Financial Ratio	Past Years	Future w/ Project ⁽¹⁾
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	108% (average) \$2.07M/\$1.91M	107% (average) \$2.07M/\$1.94M
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	136% (strong) (\$2.07M-\$1.46M) \$0.45M	127% (strong) (\$2.07M-\$1.46M) \$0.48M
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	63% (average) \$1.20M/\$1.91M	62% (average) \$1.20M/\$1.94M

(1) Though the new CWCB loan will increase GMS's debt obligation by approximately \$2.5 million, their annual payment will be only marginally increased because the current Weld County loan has a higher interest rate and shorter repayment term.

Collateral: Security for this loan will be a pledge of assessment revenues and annual financial reporting. Additionally security will be a portion of the Project itself, a 70% interest in the Hokestra Reservoir and associated infrastructure along with all ingress and egress rights. This security is in compliance with CWCB Financial Policy #5 (Collateral).

cc: Randy Ray, Executive Director, Central Colorado Water Conservancy District
Jennifer Mele, Colorado Attorney General's Office

Attachment: Water Project Loan Program - Project Data Sheet

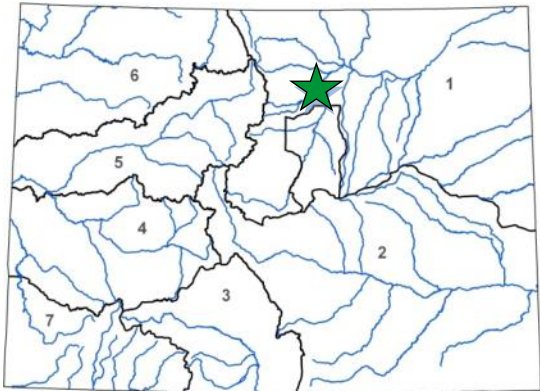


Hokestra Reservoir Purchase and Improvements Project

Groundwater Management Subdistrict of CCWCD

November 2019 Board Meeting

L O A N D E T A I L S	
Project Cost:	\$5,390,500
CWCB Loan (with Service Fee):	\$5,444,405
Loan Term and Interest Rate:	30-years at 1.45%
Funding Source:	Severance Tax Perpetual Base Fund
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:	Reservoir New
Storage Created:	1,250 AF



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

The Central Colorado Water Conservancy District (CCWCD) was formed in 1965 to develop, manage, and protect water resources in northeast Colorado. CCWCD includes approximately 210,000 acres of irrigated agricultural lands. The Groundwater Management Subdistrict (GMS), formed in 1973, is a Subdistrict to CCWCD and operates an augmentation plan for alluvial irrigation wells.

The Hokestra Reservoir Project is located east of Longmont in Weld County along the St. Vrain Creek. The Project involves the purchase of several excavated gravel pit cells that will be reclaimed into water storage reservoirs, shares of the Rural Ditch Company, and construction of the infrastructure necessary to efficiently store and release water from the reservoir. Water stored in the reservoir will be used in the GMS's plan for augmentation as a replacement supply for depletions caused by pumping of member alluvial wells.

