



COLORADO

Colorado Water Conservation Board

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

July 17, 2020

Austin Keiser
Grand Mesa Water Conservancy District
PO Box 129
Cedar Edge, CO 81413

Re: Peak Reservoir and Blanche Park Reservoir Rehabilitation - 2nd Loan Increase
Contract Number CT2015-061

Mr. Keiser:

I am pleased to inform you that on July 15, 2020, the Colorado Water Conservation Board approved a loan increase for the Grand Mesa Water Conservancy District - Peak Reservoir and Blanche Park Reservoir Rehabilitation Project of \$163,620 (\$162,000 for Project costs and \$1,620 for the 1% service fee) for a total loan not to exceed \$466,620 (\$462,000 for Project costs and \$4,620 for the 1% service fee). The loan terms shall remain 20 years at a blended interest rate of 1.55% per annum reduced due to the 20 year term.

In addition, the Board approved an extension to the Term of Performance to December 31, 2022.

I have attached a copy of the updated Board memo dated July 17, 2020 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, Room 718
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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: Matthew Stearns, P.E., Project Manager
Kirk Russell, P.E., Finance Section Chief *KGR*

DATE: July 15-16, 2020 Board Meeting (Updated July 17, 2020)

AGENDA ITEM: 14a. Changes to Existing Loans
Grand Mesa Water Conservancy District - Peak Reservoir and Blanche Park Reservoir Rehabilitation

Staff Recommendation: (Board approved Staff Recommendation July 15, 2020)

Staff recommends the Board approve a second loan increase not to exceed \$163,620 (\$162,000 for Project costs and \$1,620 for the 1% service fee) to the Grand Mesa Water Conservancy District, acting by and through its water activity enterprise, for costs related to the Peak Reservoir and Blanche Park Reservoir Rehabilitation Project, from the Construction Fund. The total loan amount will become \$466,620 (\$462,000 for Project costs and \$4,620 for the 1% service fee). The loan terms shall remain 20 years at a blended interest rate of 1.55% per annum reduced due to the 20 year term. Security for the loan shall remain a pledge of water activity enterprise revenues backed by a rate covenant, in compliance with CWCB Financial Policy #5.

Additionally staff recommends the contract "Term of Performance" be extended to December 31, 2022.

Introduction

The Grand Mesa Water Conservancy District (District), acting by and through its water activity enterprise, received approval of a \$227,250 loan (Contract No. CT2015-061 or C150354) for the Peak Reservoir and Blanche Park Reservoir Rehabilitation Project (Project) at the May 2013 Board meeting. The original loan was for 35% of the original total Project cost of \$640,000. In May 2017, the Board approved a loan increase of \$75,750 to a total loan amount of \$303,000 (including the 1% service fee) to pay the additional costs associated with permitting delays of the Blanche Park Reservoir. This represented approximately 47% of the total Project cost then estimated to be \$723,471. The District is requesting a term of performance extension through December 31, 2022 and an additional loan increase of \$162,000 bringing the total loan amount to \$466,620 (including the 1% service fee) to pay for construction cost increases. This represents approximately 44% of the total Project cost, now estimated to be \$1,054,594. See attached Project Data Sheet for a location map and a Project summary.



Background

The District is located on the Grand Mesa in western Colorado. The District's boundary is approximately 500 square miles containing roughly 100 reservoirs. Peak Reservoir is a 30 AF reservoir that was built between 1903 and 1905. The dam was 12 feet tall and 200 feet long and was never permitted with the State. By 1950 the dam fell into disrepair and was abandoned. The District acquired the reservoir in 2001.

Blanche Park Reservoir is a 125 AF reservoir that was constructed in 1895 by a group of local farmers. It also was not permitted and was breached in 1946. The District acquired this reservoir site in 2010.

In 2009 when the District began work on the Project, it believed it could cash fund the construction on both dams based on its engineer's opinion of probable cost. However, as the Project progressed the estimates were revised and the District applied for a WSRF Grant in 2011 and a CWCB Loan in 2013 to fund the balance. The District also applied for a loan increase in 2017 to fund additional costs of permitting Blanche Park Reservoir.

Project Update

The District was able to complete the work at Peak Reservoir in 2015. Approximately \$124,000 in loan funds were used for the final permitting and construction.

Blanche Park Reservoir construction, however, was delayed due to engineering, permitting, and construction costs issues. In December of 2016, the Office of the State Engineer (SEO) approved the construction drawings for Blanche Park Reservoir and in April 2017, the District received notice that the United States Fish and Wildlife Service approved the Environmental Assessment. The District anticipated starting construction in the summer of 2017.

Prior to the start of construction in 2017, the U.S. Forest Service (USFS) alerted the District that a bond for the project was required. This caught the District by surprise because it had not been a requirement on the previously completed rehabilitation of Peak Reservoir. The District, unable to obtain a bond through conventional bonding sources, eventually satisfied the USFS requirement with a Letter of Credit for the full bond amount in early 2018 after the construction season had already ended for the year.

In the summer and fall of 2018, the contractor constructed an access road to Blanche Park Reservoir and removed the existing dam, with work continuing until the weather forced the closure of the site for the year. The contractor returned to the site in August of 2019 to complete the project, however, his equipment was deemed unfit for work in the National Forest, and subsequently the contractor left the job site and terminated the agreement with the District. Since construction of the dam would not be able to begin in 2019, the USFS was concerned about the condition of the access road and requested improvements including access road modification, stump removal, culvert installation, and erosion control work. A second contractor was hired to install these improvements in preparation for the winter.

Once this work was complete the District directed their engineer to develop a bid package for the remaining work. The District received four bids, however, these were higher than the engineer's estimate. The District has contracted with the low bidder, but is requesting a loan increase to offset the higher construction cost.

The updated Total Project cost estimate is \$1,054,594 as shown in Table 1.

TABLE 1: COST ESTIMATES

Task	Original Estimate	Cost to Date	Estimated Cost to Complete	Total
Peak Reservoir				
Engineering		\$61,978	-	\$61,978
Permitting		\$22,979	-	\$22,979
Construction		\$150,033	-	\$150,033
Peak Reservoir (Total)	\$260,000	\$234,990		\$234,990
Blanche Park Reservoir				
Engineering		\$134,987	\$40,120	\$175,107
Permitting		\$45,516	\$0	\$45,516
Construction		\$107,410	\$402,970	\$617,791
Contingency			\$44,300	\$44,300
Blanche Park Res. (Total)	\$380,000	\$332,214	\$487,390	\$819,604
Total Project Cost	\$640,000	\$567,204	\$487,390	\$1,054,594

Schedule: Construction is scheduled to begin in the summer of 2020 and to be completed in the fall of 2020.

Financial Analysis:

Table 2 provides an updated financial summary. The loan terms shall remain 20 years at a blended interest rate of 1.55% per annum reduced due to the 20 year term

TABLE 2: FINANCIAL SUMMARY

	May 2013	May 2017	Current
Total Project Cost	\$640,000	\$723,471	\$1,054,594
Borrower Contribution	\$352,500	\$348,471	\$517,594
WSRF Gunnison Basin Grant (Approved in March 2011)	\$75,000	\$75,000	\$75,000
CWCB Loan Amount	\$225,000	\$300,000	\$462,000
CWCB Loan Amount (Including 1% Service Fee)	\$227,250	\$303,000	\$466,620
CWCB Annual Loan Payment	\$13,300	\$17,736	\$27,313
CWCB Annual Loan Obligation (1 st Ten Years)	\$14,630	\$19,509	\$30,044
Project Cost per AF (based on 155 AF of added storage)	\$4,129	\$4,668	\$6,804

Creditworthiness: The District has no other existing debt; however, at the direction of the USFS, it must be bonded for construction occurring in the National Forest. The District has obtained a Letter of Credit for this purpose which costs approximately \$4,900 per year. Table 3 provides updated financial ratios.

TABLE 3: FINANCIAL RATIOS

Financial Ratio	Prior Years (Original Approval)	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	143% (strong) \$57K/\$40K	105% (average) \$63.3K/\$60.4K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	N/A	110% (average) (\$63.3K-\$30.4K) \$30.0K
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	80% (average) \$32K/\$40K	51% (average) \$30.8K/\$60.4K

Note: These financial ratios show combined District and enterprise revenues, expenses, and cash reserves.

Collateral: Security for this loan will remain a pledge of the District's water activity enterprise revenues backed by a rate covenant and annual financial reporting. This is in compliance with the CWCB Financial Policy #5 (Collateral).

cc: Austin Keiser, President, Grand Mesa Water Conservancy District
 Jennifer Mele, Colorado Attorney General's Office

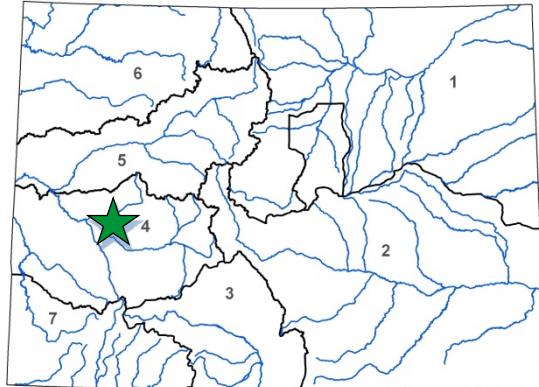
Attachments: Water Project Loan Program - Project Data Sheet
 Original Board Memo (May 2013)

Peak Reservoir and Blanche Park Reservoir Rehabilitation

Grand Mesa Water Conservancy District
July 2020 Board Meeting

(2nd Loan Increase)

L O A N D E T A I L S	
Project Cost:	\$1,054,594
CWCB Loan (with Service Fee):	\$466,620
Loan Term and Interest Rate:	20 Years @ 1.55%
Funding Source:	Construction Fund
B O R R O W E R T Y P E	
Agriculture	Municipal
90%	10% Low - 0% Mid - 0% High
Commercial	0%
P R O J E C T D E T A I L S	
Project Type:	Reservoir Rehabilitation
Average Annual Delivery:	400 AF
New Storage :	155 AF



L O C A T I O N	
County:	Delta
Water Source:	Surface Creek
Drainage Basin:	Gunnison
Division:	4
District:	40

The Grand Mesa Water Conservancy District owns several reservoirs and a network of ditches to service agricultural users and municipal users including the Town of Orchard City and Cedaredge. It is requesting a loan to rehabilitate Peak Reservoir and Blanche Park Reservoir. Both reservoirs are located in the Grand Mesa National Forest and have not been used in nearly 50 years. The District was awarded \$75,000 in Water Supply Reserve Fund (WSRF) Gunnison Basin Roundtable grant funds in March 2011. Peak Reservoir construction involved earthwork on the dam and new outlook works and was completed in 2015. Blanche Park reservoir work will be a complete rebuilding of the dam. This loan increase will help to cover cost increases from the delay in construction. Construction is expected to occur in the summer of 2020.

